MONTANA LEGISLATIVE HISTORY

Chapter 391 ~~19~~ 2005

Bill H _____ S 197 Original bill & history ✓ C

H. Committee on State Admin Appropriations			S. Committee on State Admin		
Hearing Date(s)	3/10	C	Hearing Date(s)	1/19	C
	3/31	C		1/28	C
	4/08	C			C
	4/09	C			C
Date Out		C			

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

Bill Draft Number: LC1127
Bill Type - Number: SB 197
Short Title: Revise pension benefits for volunteer firefighters
Primary Sponsor: Kelly Gebhardt

Bill Actions - Current Bill Progress: Became Law

Bill Action Count: 60

Action - Most Recent First	Date	Votes Yes	Votes No	Committee
Chapter Number Assigned	04/26/2005			
(S) Signed by Governor	04/25/2005			
(S) Transmitted to Governor	04/16/2005			
(C) Sent to Printing	04/16/2005			
(H) Signed by Speaker	04/15/2005			
(S) Signed by President	04/15/2005			
(S) Returned from Enrolling	04/15/2005			
(S) Sent to Enrolling	04/14/2005			
(H) Returned to Senate	04/13/2005			
(H) 3rd Reading Concurred	04/13/2005	97	3	
(H) Scheduled for 3rd Reading	04/13/2005			
(H) 2nd Reading Concurred	04/12/2005	96	4	
(H) Scheduled for 2nd Reading	04/12/2005			
(H) Committee Report--Bill Concurred	04/09/2005			(H) Appropriations
(H) Committee Executive Action--Bill Concurred	04/09/2005	13	7	(H) Appropriations
(H) Hearing	04/08/2005			(H) Appropriations
(H) Rereferred to Committee	04/05/2005			(H) Appropriations
(H) 2nd Reading Concurred	04/05/2005	77	22	
(H) Scheduled for 2nd Reading	04/05/2005			
(H) Committee Report--Bill Concurred	03/31/2005			(H) State Administration
(H) Committee Executive Action--Bill Concurred	03/31/2005	13	3	(H) State Administration
(H) Hearing	03/10/2005			(H) State Administration
(H) Referred to Committee	02/22/2005			(H) State Administration
(H) First Reading	02/22/2005			
(S) Transmitted to House	02/03/2005			
(S) 3rd Reading Passed	02/03/2005	50	0	

(S) Scheduled for 3rd Reading	02/03/2005			
(S) 2nd Reading Passed on Voice Vote	02/02/2005	49	0	
(S) Revised Fiscal Note Printed	02/02/2005			
(S) Scheduled for 2nd Reading	02/02/2005			
(S) Revised Fiscal Note Signed	02/01/2005			
(S) Revised Fiscal Note Received	02/01/2005			
(S) Scheduled for 2nd Reading	02/01/2005			
(S) Scheduled for 2nd Reading	01/31/2005			
(C) Sent to Printing	01/28/2005			
(S) Committee Report--Bill Passed as Amended	01/28/2005			(S) State Administration
(S) Committee Executive Action--Bill Passed as Amended	01/28/2005	9	2	(S) State Administration
(S) Revised Fiscal Note Printed	01/25/2005			
(S) Revised Fiscal Note Received	01/24/2005			
(S) Hearing	01/19/2005			(S) State Administration
(S) Fiscal Note Printed	01/19/2005			
(S) Fiscal Note Signed	01/18/2005			
(S) Fiscal Note Received	01/18/2005			
(C) Introduced Bill Text Available Electronically	01/10/2005			
(S) Referred to Committee	01/10/2005			(S) State Administration
(S) First Reading	01/10/2005			
(S) Fiscal Note Requested	01/10/2005			
(S) Introduced	01/10/2005			
(C) Draft Delivered to Requester	01/07/2005			
(C) Draft Ready for Delivery	01/04/2005			
(C) Draft in Assembly/Executive Director Review	01/03/2005			
(C) Draft in Final Drafter Review	01/03/2005			
(C) Bill Draft Text Available Electronically	12/30/2004			
(C) Draft in Input/Proofing	12/30/2004			
(C) Draft to Drafter - Edit Review [CAJ]	12/30/2004			
(C) Draft in Edit	12/30/2004			
(C) Draft in Legal Review	12/30/2004			
(C) Draft to Requester for Review	12/16/2004			
(C) Fiscal Note Needed	11/17/2004			
(C) Draft Request Received	11/17/2004			

Sponsor, etc.

Sponsor, etc.	Last Name/Organization	First Name Mi
Requester	Gebhardt	Kelly
Drafter	Heffelfinger	Sheri
Primary Sponsor	Gebhardt	Kelly

Subjects

Description	Revenue/Approp.	Vote Majority Req.	Subject Code
Retirement (see also: Senior Citizens)		Simple	RETR
Fires and Fire Protection		Simple	FIRE

Additional Bill Information

Probable Fiscal Note: Yes
Preintroduction Required: N
Session Law Ch. Number: 391
DEADLINE
Category: Appropriation Bills
Transmittal Date: 03/30/2005
Return (with 2nd house amendments) Date: 04/14/2005

Section Effective Dates

Section(s)	Effective Date	Date Qualified
All Sections	25-APR-05	

SENATE BILL NO. 197

INTRODUCED BY K. GEBHARDT

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PENSION BENEFITS FOR VOLUNTEER FIREFIGHTERS UNDER THE VOLUNTEER FIREFIGHTERS' COMPENSATION ACT; ALLOWING CERTAIN MEMBERS TO RETURN TO VOLUNTEER SERVICE WITHOUT LOSS OF BENEFITS; CLARIFYING THE CALCULATION OF BENEFITS AFTER 20 YEARS OF SERVICE; AMENDING SECTIONS 19-17-401 AND 19-17-404, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-17-401, MCA, is amended to read:

"19-17-401. Eligibility for pension and disability benefits. (1) To qualify for a full pension, partial pension, or disability benefit under this chapter, a member shall meet the requirements of subsections (2) or (3) and (4).

(2) (a) For a full pension benefit, a member must have completed 20 years of service and must have attained 55 years of age, but need not be an active member of a fire company when 55 years of age is reached.

(b) A member who is prevented from completing at least 20 years of service may qualify for a partial pension benefit if the member has completed at least 10 years of service and has attained 60 years of age, but need not be an active member of any fire company when 60 years of age is reached.

(3) An active member of a fire company whose duty-related injury results in permanent total disability, as defined in 39-71-116 and determined pursuant to 19-17-410, is eligible, regardless of age or service, to receive a disability benefit.

(4) Except as provided in subsection (5):

(a) to receive a pension or disability benefit, a volunteer firefighter may not be an active member of any fire company; and

(b) a volunteer firefighter who receives a pension or disability benefit under this chapter may not become an active member of any fire company.

(5) (a) In the event of a declared national, state, or local emergency affecting Montana, a retired volunteer firefighter who is not receiving a disability benefit under this chapter may return to active service with a fire company for the duration of the declared emergency without becoming an active member under the Volunteer Firefighters' Compensation Act and the volunteer firefighters' pension plan and without loss of previously earned benefits. Only the fire chief of the fire company may determine who may return to active service. The fire chief shall prescribe the duties of any retired volunteer firefighter returning to active service.

(b) A member who is receiving a full pension benefit, as provided in 19-17-404, may return to service with a volunteer fire department without loss of benefits. A member returning to service under this section may not be considered an active member earning service credit."

Section 2. Section 19-17-404, MCA, is amended to read:

"**19-17-404. Amount of pension and disability benefits.** (1) Each eligible member must receive a pension or disability benefit as provided in this section.

(2) (a) Except as provided in subsection (2)(c), the full pension benefit paid to eligible members is $150 a month.

(b) A partial pension benefit is calculated by multiplying the full pension benefit in subsection (2)(a) by a fraction, the numerator of which is the eligible member's years of service and the denominator of which is 20.

(c) The full pension benefit of a member who has completed 20 years of service and is at least 55 years of age and who continues to be an active member must be increased by $7.50 a month for each additional year of active service completed after 20 years of service, up to 30 total years of service.

(3) The disability benefit paid to an eligible member is calculated in the same manner as partial pension benefits described in subsection (2)(b), except that the numerator may not be less than 10.

(4) If any fraudulent change or any inadvertent mistake in records results in any member, surviving spouse, or dependent child receiving more or less than

entitled to, then on the discovery of the error, the board shall correct the error and adjust the payments to the member, surviving spouse, or dependent child in an equitable manner."

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

- END -

FISCAL NOTE

Bill #: SB197 **Title:** Revise pension benefits for volunteer firefighters

Primary Sponsor: Kelly Gebhardt **Status:** Second Reading-Revised

Sponsor signature	Date	David Ewer, Budget Director	Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Other	$19,000	$19,000
Revenue:		
Other	$0	$0
Net Impact on General Fund Balance:	$0	$0

☐	Significant Local Gov. Impact	☐	Technical Concerns
☐	Included in the Executive Budget	☒	Significant Long-Term Impacts
☐	Dedicated Revenue Form Attached	☐	Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. The actuary has assumed this is the only benefit provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. This fiscal note uses all the actuarial assumptions adopted by the Public Employees' Retirement Board for future experience of the Volunteer Firefighters Compensation Act (VFCA).
3. The actuary has not made any adjustment for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2004.
4. There are 119 members of the VCFA with at least 20 years of service who are age 55 or greater. If one half of these members were to retire under this bill, PERS estimates the increase in benefits would be approximately $19,000 per year.

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Benefits (VFCA)	$19,000	$19,000

Funding of Expenditures:		
Other (Pension Trust Fund)	$19,000	$19,000
Revenues:		
Other	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
Other (Pension Trust Fund)	($19,000)	($19,000)

LONG-RANGE IMPACTS:
This ad hoc benefit increases the unfunded liability of the VFCA by $1.1 million.

Currently the VFCA has losses from the early part of this decade that have not been included in the actuarial calculations of unfunded liability. These losses will be phased in over the next two years' actuarial studies. When these losses are included in the amortization of the plan benefits, it is anticipated that the plan will be out of compliance with the constitutional obligation of the state to maintain these funds in an actuarially sound position.

The actuary for the VFCA recommends that all new legislative proposals include a provision for funding the entire cost of the proposal. This bill provides no funding to cover the cost of the additional benefits.

MINUTES

MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN CAROLYN SQUIRES**, on January 19, 2005 at 3:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Carolyn Squires, Chairman (D)
Sen. Joe Balyeat (R)
Sen. Vicki Cocchiarella (D)
Sen. Mike Cooney (D)
Sen. Jon Ellingson (D)
Sen. Jeff Essmann (R)
Sen. Steven Gallus (D)
Sen. Rick Laible (R)
Sen. Dave Lewis (R)
Sen. Jim Shockley (R)
Sen. Joseph (Joe) Tropila (D)

Members Excused: None.

Members Absent: None.

Staff Present: Dave Bohyer, Legislative Branch
Claudia Johnson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted:	SB 182, SB 148, 1/17/2005; 1/17/2005; SB 197, 1/17/2005; SB 206, 1/17/2005
Executive Action:	None.

SEN. SHOCKLEY asked **Mr. Lovshin** what about an employee currently employed. **Mr. Lovshin** said a current employee who has the ability to apply for promotions will be scrutinized to determine how they can move into that position. This bill states that the Department of Administration can decide if that employee should be terminated regardless of what their current job is, be demoted, or moved to a different job or city where that employee doesn't want to go.

SEN. COCCHIARELLA said she is concerned about the language on page 1, line 27, stating that every employee could be at fault if an e-mail is opened causing the computers to crash. She wanted to know how this bill can justify this one bunch of people that opens a e-mail, when other employees in the state system could also be connected to that outside person. **SEN. MCGEE** said that the agency can identify those areas that have been tampered with.

SEN. COCCHIARELLA asked **Mr. Brandt** about the number of positions that are in place now and the scope of effect. **Mr. Brandt** discussed the positions that are identified now. He stated there are 700 plus IT positions that have keys to the "back door" of the systems. There is a mechanism in place now that identifies IT people.

SEN. COCCHIARELLA wanted to know who will be doing the background checks, where is the information kept, and where is it going. **Mr. Brandt** said when an agency's Human Resources request a background check they can run it through the Department of Justice. When these records are obtained, they are kept in the employee files of that agency where they work.

Closing by Sponsor:

SEN. MCGEE closed stating he would like to see the OPI issues worked out with the Department of Administration. He said these IT people are working with sensitive information. The confidentiality of an agency will have a list and recommendations if someone wants to do something to the computer system. He said the bill addresses "liberty in one hand and security in another". He urged a do pass for SB 148.

{Tape: 2; Side: B}

HEARING ON SB 197

Opening Statement by Sponsor:

SEN. KELLY GEBHARDT (R), SD 23, opened the hearing on **SB 197,** Revise pension benefits for volunteer firefighters. **SEN.**

GEBHARDT distributed an amendment that deals with the number of years of active service for volunteer firefighters retirement. He said there is an error on the fiscal note, but it doesn't affect the benefits presented in this bill.

EXHIBIT(sts14a07)

Proponents' Testimony:

John Semple, representing the Montana Fire Alliance of Volunteer Firefighters, distributed a newspaper article that addresses the nation's fire departments, and how they are all understaffed, especially in the rural areas. He asked the Committee members to give SB 197 a do pass.

EXHIBIT(sts14a08)

Ross Fitzgerald, representing the Teton County Fire Department, informed the Committee that the fire department in his county has lost most of its volunteers due to early retirement. He said they are currently down to less than nine members. By placing this bill into effect it will present an incentive for the volunteer firefighters to stay on after they reach the age of 55. He distributed a handout that shows the years of service, and the amount received for retirement.

EXHIBIT(sts14a09)

Terry Shepherd, Fire Chief of the West Valley Volunteer Fire Department, stated his support for SB 197. He asked the Committee members to support this bill. He said this bill allows those members who retired at the age of 55 to keep working without losing their benefits.

Dave Mason, Fire Chief for Baxendale Fire Department, stated his support for SB 197. He urged a do pass motion.

John Northy, Fire Chief for Birdseye Fire Department, stated his support for SB 197. He asked for a do pass motion.

Opponents' Testimony:

Mike O'Connor, Executive Director representing Montana Public Employees Retirement Association, stated his opposition to the bill. He distributed written testimony, and addressed the Volunteer Firefighters Compensation Act (VFCA)of 1965. He explained how the Volunteer Firefighters Compensation Act is designed. He stated it is a non-contributory plan for volunteers formed in unincorporated areas of Montana. The system is funded

from the insurance tax premium money collected, and the VFCA receives five percent of the money collected each year. Retirement is provided after completion of 20 years of service, and are a least 55 years of age, then that volunteer will receive $150 per month. He said the plan also provides a survivorship benefit of $6,000. He discussed unfunded liability. He urged a do not pass for SB 197.

EXHIBIT(sts14a10)

Informational Testimony: None.

Questions from Committee Members and Responses:

The Committee Members and Mike O'Connor discussed the actuary report, which states this bill will cause a $1.1 million in unfunded liability. **Mr. O'Connor** stated that to fund the second component of the bill will take $97,000 per year. He said there needs to be a funding source to pay for this bill.

SEN. COONEY asked **Mr. Northy** about HAVA dollars, and is there decreasing revenue when tax is five percent of the tax premiums in the state. **Mr. Northy** thought it could be an actuarial cost, but stated it cannot be predicted.

Mr. O'Connor was questioned about meeting the two criteria; 20 years of service and 55 years of age.

Closing by Sponsor:

SEN. GEBHARDT closed stating it doesn't matter how many years of service the volunteers have served. This bill allows those who can retire to continue working as an active member without losing their benefits.

{Tape: 2; Side: B}

HEARING ON SB 206

Opening Statement by Sponsor:

SEN. DAVE LEWIS (R), SD 42, opened the hearing on **SB 206,** Apply 1-1-05 pay increase to all state employees. He distributed a conceptual amendment that will give the employees that were left off of the pay plan bill from the last legislature a 25 cent raise. He said there were 162 employees from Deer Lodge and Warm Springs that didn't receive this pay increase along with 52 state workers that were also left out of the pay raise because they were at the top of the market. This bill will address this cost

SENATE STATE ADMIN.
EXHIBIT NO. 7
DATE 1-19-05
BILL NO. SB 197

Amendments to Senate Bill No. 197
1st Reading Copy

Requested by Senator Kelly Gebhardt

For the Senate State Administration Committee

Prepared by Sheri Heffelfinger
January 15, 2005 (10:18am)

1. Page 2, line 16 through line 17.
Strike: "who" on line 16 through "and" on line 17

2. Page 2, line 17.
Strike: "continues"
Insert: "continued"
Following: "member"
Insert: "after completing 20 years of service"

3. Page 2, line 18.
Following: "active service"
Insert: "the member"

- END -

SENATE STATE ADMIN.
EXHIBIT NO. 8
DATE 1-19-05
BILL NO. SB 197

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Top Stories - USATODAY.com

Police, fire departments see shortages across USA

USATODAY.com

Mon Nov 29, 6:31 AM ET

MY Y! Top Stories - USATODAY.com

By Mimi Hall, USA TODAY

Mayor Jane Campbell calls police and firefighters part of the nation's "domestic army" - the troops who will be called upon to respond to the next terrorist attack. But in Cleveland and many other financially troubled cities, the ranks of those first responders are thinning.

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- High court to hear medical marijuana issue
- Al-Zarqawi group claims credit for Mosul deaths
- Cities see firefighter shortage

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At least two-thirds of the nation's fire departments are understaffed, according to the National Fire Protection Association (NFPA), which sets firefighting codes and standards. The shortage is worst in rural volunteer departments that have trouble recruiting new members. But many big and medium-size cities that are more likely to be terrorist targets are also short-handed.

Some, including New York, have had to close fire stations; others, such as Houston, have had temporary closures. In many cities, response times are slower, and trucks go out with too few firefighters.

That can have a real impact. Investigators cited many factors that contributed to the deaths of 100 people in a West Warwick, R.I., nightclub fire last year. But a report commissioned by the state noted that the five firetrucks at the scene arrived with only two firefighters each - half the number recommended by the NFPA - and video showed delays in getting hoses turned on.

Snapshots

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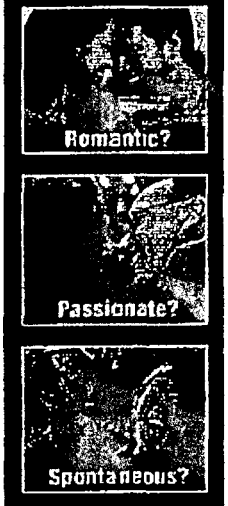

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"While staffing companies to nationally recognized standards is desirable," the report said, "it is beyond the reach of many financially strapped communities."

Many big-city police departments such as Cleveland also are bleeding officers. Nationally, the number of police has remained stagnant in recent years, despite federal help from the Clinton-era COPS community-policing program, which spent $9 billion to help put 118,000 more officers on the streets. The Bush administration, which has emphasized training and says staffing levels should be largely a local responsibility, is phasing out the program.

Staffing problems are being felt coast to coast. New York City, with 23,000 police officers, has lost 1,000 a year for the past three years. Minneapolis cut 38 positions from its police force last year. The Oregon State Police laid off 129 troopers from its 600-member force. "It's almost completely budget-driven," says Gene Voegtlin of the International Association of Chiefs of Police.

There also are staffing problems at 911 emergency centers. National figures are not available for 911 call-takers and dispatchers, sometimes called the first of the first responders.

But Steve Souder, director of the Montgomery County, Md., 911 Emergency Communications Center, says staff shortages are at a crisis point nationwide. In his county, 25% of 911 jobs turn over each year as employees burn out from the stress and hectic schedule and take better-paying jobs with private companies.

In many cities, police and fire chiefs say, layoffs and attrition are leading to dangerously low staffing levels that could leave emergency workers unprepared and citizens unprotected during future terrorist attacks. The call-up of reservists and National Guard members for the wars in Iraq (news - web sites) and Afghanistan (news - web sites) also is taxing police and fire departments. Since Sept. 11, 2001, the National Guard has called up 4,153 police officers and 451 firefighters.

After the 2001 attacks, "politicians wanted nothing but to stand by us and tell us what heroes we were and talk about all they were going to do for us," says Bob Fisher, president of the firefighters union in Cleveland. But with 7% of the city's firefighters laid off this year and little time for training, he says, "the capabilities of this department have been reduced since 9/11."

Smaller staffs, higher standards

Emergency preparedness officials are most concerned about the shortage of firefighters, who would be the first to respond to a catastrophic attack. In the past 20 years, the number of firefighters nationwide has declined, despite a 25% increase in the nation's population.

The fire protection association estimates that to combat terrorism, the nation needs 75,000 to 85,000 new paid firefighters in its cities. In the last major assessment of the nation's fire service in 2002, the association and the Federal Emergency Management Agency (news - web sites) found that only 13% of departments were trained and equipped to handle a chemical or biological incident with at least 10 people injured. Only 11% could handle the collapse of a building with 50 or more occupants.

"If you can't even tackle a structural fire, how are you going to handle a mass-casualty event?" asks Tim Raducha-Grace of New York University's Center for Catastrophe Preparedness and Response.

Kansas City Fire Chief Richard "Smokey" Dyer, past president of the International Association of Fire Chiefs, says his city is the only one in the country where voters approved a sales tax to pump money into the fire department. Despite the approval of that 2001 ballot measure, ongoing staffing problems mean that a third of his city's firetrucks are still sent out with fewer than four firefighters - an NFPA safety standard that allows for two firefighters to enter a burning building while two remain outside to handle equipment and, if necessary, rescue their colleagues.

Thanks to the local tax increase, Dyer is slowly building up his staff. But elsewhere, he says, staffing shortages are getting worse - and at a terrible time. "As the threat has risen for our cities, and as additional tasks have been assigned to our fire departments, the resources for the fire service have gone down," he says. "Most big-city fire departments are in the process of reducing staffing."

Here in Cleveland, Fire Station 13 no longer has a hook-and-ladder truck. There aren't enough firefighters to keep up safety inspections they used to do at local metal-plating plants and chemical companies that store thousands of gallons of deadly toxins. They can't spare the people to take time out for special weapons-of-mass-destruction training offered by the U.S. Department of Homeland Security.

The city's fire training academy, with its three-story practice tower, is like a "ghost town" now, says Dean Murad, a member of the station's rescue squad. At least half the classes have been cut, he says, and instead of regularly scheduled training sessions for firefighters, training is now "haphazard."

After 70 layoffs since January, the city's fire department would struggle "to do what they're counting on us to do" if a terrorist attack or other disaster caused mass casualties, Fire Chief Paul Stubbs says. Even if there were a few house fires at once, "I don't know if this city could handle it," says Station 13 firefighter Roy Bruder, a 23-year veteran.

The situation at the police department, where 250 officers were laid off this year, is no better. Special units for the harbor, street crimes, auto thefts, narcotics, youth gangs and community policing are among those eliminated since January as part of an effort to close the city's $60 million budget deficit.

Among the pieces of equipment now lying idle are two $1.1 million helicopters, bought with grant money from Washington for an eight-person police aviation unit that's now defunct. The helicopters were used to patrol the city for security breaches along the waterfront and at power plants and high-rises whenever the nation's terror alert level was raised.

To keep enough patrolmen on the streets, Police Chief Edward Lohn says he had to cut the department's more specialized units.

The result, police spokesman Wayne Drummond says, "is that we're more of a reactive department now than a pro-active department."

When he eliminated 15% of the department's 1,826 officers, Lohn says, he also had to recall 10 of the 15 officers he had assigned to work with the FBI (news - web sites) on area terrorism task forces. "I feel bad when I get a call from the agent in charge at the FBI," Lohn says, because he can no longer offer to help. The cuts "have been very painful."

Problems nationwide

Staffing problems are showing up across the nation:

• Three years ago, the Springfield, Mass., fire department had 395 members, 10 open fire stations, 76 firefighters on duty at any given time and four firefighters per truck. By this summer, the department had 256 members, seven open fire stations, 39 firefighters on duty at a time and only three firefighters per truck - the result of budget cuts. Local union chief David Wells says the city is engaged in "Russian roulette" when it comes to the safety of its citizens.

• In Richmond, Calif., which has an oil refinery and a deep-water port, the city has laid off 18 firefighters since January, bringing the department down to 60. Ten years ago, it had 110. To compensate, the department occasionally closes stations and runs trucks with fewer than four firefighters on board. "It's a dangerous situation," says Lou Paulson, president of California Professional Firefighters.

• In Ohio, there are roughly the same number of state troopers today - 1,500 - as there were in the mid-1970s, "even though we have 20 times the amount of work," says Jim Roberts, director of the Ohio State Troopers Association. He said post-9/11 demands have driven up overtime costs and overtaxed troopers.

• In Seattle, firefighters are protesting a decision by the mayor to address a shortage of 911 dispatchers by reassigning firefighters to that job. The move means the number of firefighters at one of the city's stations will be cut to three per firetruck. In a letter to members last month, union president Paul Atwater said the move creates "unsafe working conditions."

• In Boston, the number of police officers has dropped from 1,800 in the late 1990s to fewer than 1,400 today. "It's been a gradual deterioration of the force," says Michael O'Hara of the International

Union of Police Associations. He says the department is also strained by the need for officers to go through more extensive training for biological and chemical attacks and by military operations abroad. About 40 officers now serve in Iraq and Afghanistan.

SAFER Act money is a start

Officially acknowledging the problem for the first time this year, Congress approved $65 million for a new federal program to help cities pay for more firefighters.

The SAFER (Staffing for Adequate Fire and Emergency Response) Act was authorized at $7.6 billion over seven years in November 2003. But President Bush (news - web sites) didn't request any money for the program in his 2005 budget, and it was finally approved by Congress with less than 1% of the authorized amount.

Bush administration officials say the federal government shouldn't be in the business of paying salaries for state and local employees.

"We believe that every mayor and governor has a responsibility to ensure that there are adequate public safety professionals in their states and communities," says Marc Short of the Homeland Security Department. "It is our job to make sure that they're best trained and equipped to prevent terrorism and respond if need be."

Firefighters say the money is a start, even though it is likely to pay for only a few hundred firefighters nationwide this year. That's a far cry from the 100,000 that Democrat John Kerry (news - web sites) said he would add to the ranks if elected president.

Jim Shannon, president of the National Fire Protection Association, says the shortfall in personnel and resources "troubles me a lot."

But Frank Cilluffo, a former top homeland security adviser to Bush, says fire and police departments don't need more bodies, just better training and equipment.

"Let's not create armies of homeland defense warriors, but rather build on existing capabilities and leverage those," says Cilluffo, now director of George Washington University's Homeland Security Policy Institute. "The key is to be heavy on training and exercises."

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SENATE STATE ADMIN.
EXHIBIT NO. 9
DATE 1.19.05
BILL NO. SB197

30 Years **$225.00**		30 Years $225.00
20 Years **$150.00**	**20 Years** **$150.00**	20 Years $150.00

If you look at the retirement of firefighters for a 60 year period of time, 3 retired firefighters with 20 years service each total $450, which is equal to 2 firefighters with 30 years each totaling $450.00.

SENATE STATE ADMIN.
EXHIBIT NO. 10
DATE 1.19.05
BILL NO. SB 197

Senate Bill 197
Testimony by Mike O'Connor
Executive Director, MPERA
Before the Senate State Administrations Committee – January 19, 2005

I would like to give you a little history of the Volunteer Firefighters Compensation Act

- Enacted in 1965
- Funding was the fire insurance premium fund
- Could not pay a benefit until the fund grew to $1 million
- After that the benefit was a flat $100 per month
- Change made so benefit would based on growth of fund. Benefit went from a high of $120 to a low of $71.
- In 1994 the Volunteer Firefighter ask if there was a way to be able to fund the system and set the benefit at flat dollar amount.
- With the 1995 legislative session we set the benefit amount at $100 per month and began to actuarially fund the system based on the money coming into the system.
- The 2001 Legislative Session increased the benefit to $150 per month
- The 2003 Legislative Session provided a provision to receive additional service credit after attaining age 55 and 20 years of service.

I would like to explain how the Volunteers Firefighters Compensation Act is designed.

- It is a non-contributory plan for volunteer firefighters in departments formed in unincorporated areas of Montana.
- VFCA established in 1965.
- This system is funded from the insurance tax premium money collected. The VFCA receives 5% of money collected each year.
- The retirement provided is after completed 20 years of service and are at least 55 years of age you will receive $150 per month. The plan also provides a survivorship benefit of $6,000.
- Actuarial Value of Assets $20.1 Million
- Actuarial Accrued Liability $28.7 Million
- Unfunded AAL $ 8.6 Million
- Funded Ratio 69.94%

What does this bill change in the Volunteer Firefighter's Compensation Act?

- It would allow retired member who is receiving a full pension (20yrs of service and age 55) to return to service with the volunteer fire department without loss of benefits. They would not earn additional service but would continue to receive their monthly benefit.
- The second change this bill is attempting is to eliminate the age 55 requirement to receive additional service credit after 20 years of service.

Under the current law a member can earn more than 20 years of service if they meet the required criteria. On or after July 1, 2003 when this provision was enacted requires the member to be both age 55 and have at least 20 years of service. For each additional year of service put in the member would increase their retirement benefit by $7.50 per month. Upto a maximum of 10 years of additional service.

MINUTES

MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN CAROLYN SQUIRES**, on January 26, 2005 at 3:00 P.M., in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Carolyn Squires, Chairman (D)
Sen. Joe Balyeat (R)
Sen. Vicki Cocchiarella (D)
Sen. Mike Cooney (D)
Sen. Jon Ellingson (D)
Sen. Jeff Essmann (R)
Sen. Steven Gallus (D)
Sen. Rick Laible (R)
Sen. Dave Lewis (R)
Sen. Jim Shockley (R)
Sen. Joseph (Joe) Tropila (D)

Members Excused: None.

Members Absent: None.

Staff Present: Dave Bohyer, Legislative Branch
Claudia Johnson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 191, 1/24/2005; SB 230, 1/24/2005
Executive Action: SB 206, SB 109, SB 197

Discussion: **SEN. LEWIS** distributed and explained amendment SB020603.adb.

EXHIBIT(**sts20a03**)

Motion/Vote: **SEN. GALLUS CALLED THE QUESTION ON THE AMENDMENT SB020603.adb. Motion carried unanimously by voice vote.**

Motion/Vote: **SEN. LEWIS moved that SB 203 DO PASS AS AMENDED. Motion carried unanimously by voice vote.**

EXECUTIVE ACTION ON SB 109

{Tape: 2; Side: A; Approx. Time Counter: 25 - 26}

Motion/Vote: **SEN. TROPILA moved that SB 109 DO PASS. Motion carried 9-2 by voice vote with SEN. GALLUS and SEN. LEWIS voting no.**

EXECUTIVE ACTION ON SB 197

{Tape: 2; Side: B}

Motion: **SEN. COCCHIARELLA moved that SB 197 DO PASS.**

Discussion: **SEN. LAIBLE** stated his concern regarding the unfunded liability increase of $1.2 million in the fiscal note. He asked how does unfunded liability disappear. **Dave Bohyer, LSD,** explained there are several ways that unfunded liability can be erased: 1) put additional money into the system, which is done by the Appropriation's Committee, 2) deposits on the part of the employer and/or employee, or 3) cut benefits.

SEN COCCHIARELLA commented that she spoke with **Mike O'Connor** about unfunded liability. She informed the Committee that unfunded liability doesn't mean that the state is in the hole. She stated this does cause a greater unfunded liability, but it doesn't break the system or mean that it will put the state in the hole.

Motion/vote: **SEN. GALLUS moved that AMENDMENT SB0019701.ASH DO PASS. Motion carried unanimously.**

Motion: **SEN. GALLUS moved the CONCEPTUAL AMENDMENT DO PASS.**

Discussion: **Mike O'Connor** distributed and explained the conceptual amendment. He said the bill as introduced on page 2, section 2, line 17, gives volunteer firemen additional years of service credit after 20 years of service regardless of age. He said this conceptual amendment clarifies the language, but doesn't change the bill.

EXHIBIT**(sts20a04)**

Vote: **Motion carried unanimously by voice vote.**

Motion/Vote: **SEN. GALLUS moved that SB 197 DO PASS AS AMENDED. Motion carried 9-2 by voice vote with SEN. ESSMANN and SEN. BALYEAT voting no.**

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

SENATE STATE ADMIN.
EXHIBIT NO. 4
DATE 1.26.05
BILL NO. SB 197

BRIAN SCHWEITZER
GOVERNOR

STATE OF MONTANA

(406) 444-3154 TELEFAX (406) 444-5428
TOLL FREE (877) 275-7372

100 N. PARK, SUITE 200
PO BOX 200131
HELENA, MONTANA 59620-0131

January 24,2005

Senator Joe Balyeat
Senate State Administration Committee
Montana Senate
PO Box 200500
Helena MT 59620-0500

Dear Senator Balyeat:

I would like to answer your question regarding SB197 – Revise pension benefits for volunteer firefighters. Under current law a volunteer firefighter with 20 or more years of service at age 55 would receive $150 a month benefit if they retired. The current law allows an increase in their benefit for each year after age 55. For each year after age 55 a member stays active with the department they will receive an additional $7.50 a month in their retirement benefit. SB97 is attempting to give all volunteer firefighters credit for working more than 20 years of service regardless of age.

Let me provide an example:

A volunteer firefighter starts with a volunteer fire department at the age of 30. Let's assume he is active each year and retires at the age of 57.

His retirement is calculated as follows:

Current law:

At age 55 he has 25 yrs of service and a benefit => $150 per month
(benefit based on 20 yrs not 25yrs)
2 years of service after age 55 at $7.50 per year => $ 15 per month
Total Benefit => $165 per month

SB197:

At age 57 has 27 yrs of service and a benefit => $202.50 per month

The increase in benefits due to SB197 is $37.50 per month. The actuarial impact statement estimates to fund the additional liability of $1.1 M would take additional revenue of $97,233 per year. The actuary did not estimate the annual increase in benefits paid from the Volunteer Firefighters Compensation Act.

In Volunteer Firefighters' Compensation Act there are 119 members with at least 20 years of service and at least 55 years of age. If they were to retire with SB197 the increase in benefits would be $37,344 per year. There are additional 122 members with at least 20 years of service and their age is less than 55 years of age. SB 197 would increase their accrued benefit by $35,100 per year.

I would be happy to answer any additional questions you may have. I can be reached at 44-5459.

Sincerely,

Mike O'Connor
Executive Director

FISCAL NOTE

Bill #: SB197 **Title:** Revise pension benefits for volunteer firefighters

Primary Sponsor: Kelly Gebhardt **Status:** As Introduced - Prepared by Public Employee Retirement Administration

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund		
State Special Revenue		
Federal Special Revenue		
Other		
Revenue:		
General Fund		
State Special Revenue		
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:		

☐	Significant Local Gov. Impact	☒	Technical Concerns
☐	Included in the Executive Budget	☐	Significant Long-Term Impacts
☐	Dedicated Revenue Form Attached	☐	Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. The actuary has assumed this is the only benefit provision being considered. If other provisions are enacted, the cost associated with this provision may be different.

2. This fiscal note uses all the actuarial assumptions adopted b the Public Employees' Retirement Board for future experience of the Volunteer Firefighters Compensation Act.

3. The actuary has not made any adjustment for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2004.

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
FTE		
Expenditures:		
Personal Services		
Operating Expenses		
Equipment		
Benefits		
Transfers		
TOTAL		
Funding of Expenditures:		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		
TOTAL		
Revenues:		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

LONG-RANGE IMPACTS:
This benefit enhancement increases the unfunded liability of the Volunteer Firefighters' Compensation Act by $1.1 million

TECHNICAL NOTES:

Fiscal Note Request **SB197, As Introduced - Prepared by Public Employee Retirement Administration** (continued)

1. Based on the most recent funded status of the Volunteer Firefighters' Compensation Act, and the expectation of emerging investment losses in the future, the Board's actuary recommends that all new legislative proposals include a provision for financing the entire cost of the proposal.

2. The annual revenue to fund this benefit enhancement is $97,233.

Fiscal Note Prepared by: Mike O'Connor
Agency: Montana Public Employee Retirement Administration
Phone Number: 444-5459

MONTANA SENATE
2005 LEGISLATURE

ROLL CALL

STATE ADMINISTRATION

DATE 1.26.05

NAMES	PRESENT	ABSENT	EXCUSED
SEN. CAROLYN SQUIRES (D), CHAIRWOMAN	✓		
SEN. MIKE COONEY (D), VICE CHAIRMAN	✓		
SEN. JOE BALYEAT (R)	✓		
SEN. VICKI COCCHIARELLA (D)	✓		
SEN. JON ELLINGSON (D)	✓		
SEN. JEFF ESSMANN (R)	✓		
SEN. STEVE GALLUS (D)	✓		
SEN. RICK LAIBLE (R)	✓		
SEN. DAVE LEWIS (R)	✓		
SEN. JIM SHOCKLEY (R)	✓		
SEN. JOE TROPILA (D)	✓		
DAVE BOHYER, LSD	✓		
C. J. JOHNSON, COMMITTEE SECRETARY	✓		

SENATE STANDING COMMITTEE REPORT

January 27, 2005

Mr. President:

We, your committee on **State Administration** recommend that Senate Bill 197 (first reading copy -- white) **do pass as amended.**

Signed: Carolyn Squires
Senator Carolyn Squires, Chair

And, that such amendments read:

1. Page 2, line 16 through line 17.
Strike: "who" on line 16 through "and" on line 17

2. Page 2, line 17.
Strike: "continues"
Insert: "continued"
Following: "member"
Insert: "after completing 20 years of service"

3. Page 2, line 18.
Following: "active service"
Insert: "the member"

- END -

Committee Vote:
Yes 9, No 2.

211041SC.ssc

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN LARRY JENT**, on March 10, 2005 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Larry Jent, Chairman (D)
Rep. Dee L. Brown, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Mary Caferro (D)
Rep. Sue Dickenson (D)
Rep. Emelie Eaton (D)
Rep. Robin Hamilton (D)
Rep. Gordon R. Hendrick (R)
Rep. Teresa K. Henry (D)
Rep. Hal Jacobson (D)
Rep. William J. Jones (R)
Rep. Gary MacLaren (R)
Rep. Bruce Malcolm (R)
Rep. Alan Olson (R)
Rep. Bernie Olson (R)

Members Excused: Rep. Veronica Small-Eastman, Vice Chairman (D)

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Marion Mood, Committee Secretary
Transcribed by Lindsey Grovom

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted:	SB 98, 3/3/2005; HB 632, 3/3/2005; HB 593, 3/3/2005; SB 197, 3/3/2005; SB 180, 3/3/2005
Executive Action:	HB 593

HEARING ON SB 197

Opening Statement by Sponsor:

SEN. KELLY GEBHARDT (R), SD 23, opened the hearing on **SB 197,** Revise pension benefits for volunteer firefighters. He said that this bill also allows someone to get a proportionate amount of retirement for each year they work beyond twenty years. He provided a graph illustrating that.
EXHIBIT(sth53a11)

Proponents' Testimony:

John Sempel, Montana Fire Alliance, urged support for the bill.

Dave Mason, volunteer Fire Chief, stated that there was nothing stronger than the heart of a volunteer. He explained that the benefits for returning after retirement would be a great incentive.

Ross Fitzgerald, Teton County Volunteer Fire Department, thought the bill might bridge the gap and encourage the experienced fire fighters to continue on.

{Tape: 3; Side: A; Approx. Time Counter: 1 - 17}

John Worthy, Birdseye Volunteer Fire Department, explained how, across the state, membership numbers of volunteer fire departments were dropping consistently. He said that under current law, once a person received their 20 years of service and were eligible for retirement, the law says they can draw their retirement but they cannot be a member of the fire department. The bill would allow those members to continue on with the department.

Opponents' Testimony:

Melanie Symons, Montana Public Employees Retirement Administration, provided a handout and explained the retirement process being proposed through the bill in detail.
EXHIBIT(sth53a12)

Informational Testimony: None.

Questions from Committee Members and Responses:

CHAIRMAN JENT looked at the back of the fiscal note and noticed an error. He asked for clarification from the Sponsor.

SEN. GEBHARDT replied that he was unsure. **REP. MACLAREN** was able to answer the question and said that it was an IT error.

CHAIRMAN JENT inquired of Mr. Worthy if investment income in 2004 increased. **Mr. Worthy** said,"Yes," and remarked that the numbers he had were out of the retirement system's annual financial reports. The investment income number that he had for 2004 was $2.27 million, 2001 was a negative $260,000. He went on to say that the fire premium tax was a fixed percentage of five percent of the premiums paid.

(REPRESENTATIVE HENDRICK left the meeting.)

{Tape: 3; Side: A; Approx. Time Counter: 17 - 30}

CHAIRMAN JENT asked Melanie Symons if the money flowing into the system was paid with an insurance premium tax and the income from investments. **Ms. Symons** said that was correct. **CHAIRMAN JENT** went on to say that in order to make any sort of projection, there needed to be knowledge of how much money was coming in or not coming in from the insurance premium tax and know how the investments are doing. **Ms. Symons** said that was correct.

REP. MALCOLM referred a question to Melanie Symons as to the projected yearly expense. **Ms. Symons** replied that she will provide that information.

REP. MACLAREN asked if the five percent insurance premium tax was the only money for the fund. **Ms. Symons** understood that they get five percent insurance premium tax each year and it is paid to them by the State Auditor's Office.

Closing by Sponsor:

SEN. GEBHARDT closed the hearing on SB 197.

HEARING ON SB 180

Opening Statement by Sponsor:

SEN. MIKE COONEY (D), SD 40, opened the hearing on **SB 180,** Allow state archives to charge annual fee. He said the bill was attempting to give the Historical Society some revenue to allow them to deal with the records. If the public wanted access to these materials, it may not be possible because of the backlog. **SEN. COONEY** presented an amendment to put the fee on state agencies.
EXHIBIT**(sth53a13)**

EXHIBIT 11
DATE 3-10-05
SB 197

30 Years **$225.00**		30 Years $225.00
20 Years **$150.00**	**20 Years** **$150.00**	**20 Years** **$150.00**

If you look at the retirement of firefighters for a 60 year period of time, 3 retired firefighters with 20 years service each total $450, which is equal to 2 firefighters with 30 years each totaling $450.00.

Basic Funding Equation

B = C + I – E

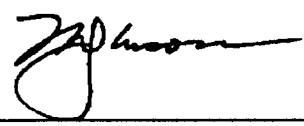
B=Benefits
C=Contributions
I=Income
E=Expenses

EXHIBIT 12
DATE 3-10-05
SB 197

MONTANA PUBLIC EMPLOYEES RETIREMENT ADMINISTRATION
ACTUARIAL IMPACT STATEMENT

Bill: LC 1127
Provision: Enhanced Volunteer Firefighter Retirement Benefits
Date: January 14, 2005

Prepared by: Mark O. Johnson, F.S.A.
Consulting Actuary
Milliman, Inc.



SUMMARY OF PROVISIONS

Our understanding of the impact of the provision of this bill on the Retirement Systems' benefits or funding, based on our discussion with the PERA staff, is as follows:

Members receiving full pension benefits may return to work without losing benefits and may not be considered an active member earning additional benefits.

The full pension benefit of all active members who are at least age 55 with 20 or more years of service will be increased by $7.50 per month for each year of service over 20, up to 30 total years of service.

COMMENTS

The purpose of this report is to estimate the fiscal impact of the proposed benefit enhancements. The figures presented in this report have been estimated based on the findings in the 2004 actuarial valuation. The overall funded position of the System shown in this report reflects System assets as of June 30, 2004. Therefore, although the incremental costs of this proposal are reasonable, the overall current funded position of the System may be significantly different than shown in this report.

DATA, METHODS AND ASSUMPTIONS

All members will be eligible for these provisions.

We have developed this analysis based on the data, methods, and assumptions contained in the actuarial valuation of the VFCA performed as of June 30, 2004. In addition, we made the following assumptions with respect to this bill:

- For purposes of this fiscal impact statement, we assumed that this is the only benefit provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
- We have not made any adjustment for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2004. We will not be

able to measure the actuarial gains or losses from other sources until we complete future valuations with updated census information.

These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs may vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.

FISCAL IMPACT

Based on our understanding of this proposal and the data, methods and assumptions outlined above, we have developed the following estimated impact on the funding of the System, based on the 2004 Actuarial Valuation.

VFCA Years of service over 20	2004 Actuarial Valuation	Results Including Proposal	Change due to Proposal
Actuarial Balance Sheet *($000s)*			
Value of Projected Benefits	$ 31.0	$ 32.2	$ 1.2
Value of Future Normal Costs	2.3	2.4	0.1
Actuarial Liability	$ 28.7	$ 29.8	$ 1.1
Actuarial Value of Assets	20.1	20.1	0.0
Unfunded Actuarial Liability	$ 8.6	$ 9.7	$ 1.1
Increase in Actuarial Liability: Active and Inactive Members			$ 1.1
Increase in Actuarial Liability: Retirees and Beneficiaries			$ 0.0
Normal Cost Rate *(Dollars per Active Member)*	$ 175.71	$ 180.15	$ 4.44
Revenue Required to Fund this Proposal			
Normal Cost Rate	$ 175.71	$ 180.15	$ 4.44
Amortization of UAL over 19 Years	243.28	275.03	31.75
Rate of Required Contribution (Dollars per Active Member)	**$ 418.99**	**$ 455.18**	**$ 36.19**
Number of Active Members	2,687	2,687	2,687
Annual Revenue Required	**$ 1,125,834**	**$ 1,223,067**	**$ 97,233**

Based on our determination of the most recent funded status of the System, and the expectation of emerging investment losses in the future, we recommend that all new legislative proposals include a provision for financing the entire cost of the proposal.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN LARRY JENT**, on March 31, 2005 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Larry Jent, Chairman (D)
Rep. Dee L. Brown, Vice Chairman (R)
Rep. Veronica Small-Eastman, Vice Chairman (D)
Rep. Joan Andersen (R)
Rep. Mary Caferro (D)
Rep. Sue Dickenson (D)
Rep. Emelie Eaton (D)
Rep. Robin Hamilton (D)
Rep. Gordon R. Hendrick (R)
Rep. Teresa K. Henry (D)
Rep. Hal Jacobson (D)
Rep. William J. Jones (R)
Rep. Gary MacLaren (R)
Rep. Bruce Malcolm (R)
Rep. Alan Olson (R)
Rep. Bernie Olson (R)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Marion Mood, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted:	SB 478, 3/8/2005; SB 491, 3/30/2005; HJ 39,3/29/2005; SB 73, 3/29/2005; SB 109,3/29/2005; SB 462, 3/29/2005
Executive Action:	SB 396; SB 342; SB 197; SB 73; SB 478; SB 491

REP. JACOBSON agreed to be the House Sponsor.
{Tape: 4; Side: A; Approx. Time Counter: 0 - 12}

EXECUTIVE ACTION ON SB 197

Ms. Heffelfinger provided an updated version of a paper she had prepared for an interim committee; it explained the terms "insurance premium tax" and "fire marshal's tax." She advised to insert "$3 million" at the top of Page 3 and explained the paper to the Committee.
EXHIBIT**(sth68a09)**

Motion: **REP. BROWN moved that SB 197 BE CONCURRED IN.**

Discussion:

VICE CHAIR BROWN reviewed the bill, emphasizing the eligibility criteria, and asked whether it was actuarially sound. **Ms. Heffelfinger** reminded her that the Retirement Board had opposed this legislation as it would extend the unfunded liability by one year. She referred to the information received from John Northey, which showed an average annual revenue increase of 10% to the volunteer firefighters; Mr. Northey contended this offset the unfunded liability.
EXHIBIT**(sth68a10)**

REP. HENRY pointed to the updated page of the "Green Sheets", stating the number of years had been decreased from twenty-one to twenty years, which **Ms. Heffelfinger** confirmed.

VICE CHAIR BROWN stated she would worry about a thirty-year difference but not about a one-year difference, especially when it came to helping out volunteers.

CHAIRMAN JENT agreed, saying his main concern was finding incentives to keep volunteers in rural fire departments.

REP. JONES advised he would oppose the bill as he feared it would lead to "leap-frogging," meaning that all other departments would come in and make the same requests; he added his worry was compounded by the fact that the system was not actuarially sound.

VICE CHAIR BROWN believed the system *was* actuarially sound, and the benefits in the bill would not be paid out for another ten years. **Ms. Heffelfinger** advised the Retirement Board had not actually stated the number of years this bill would extend the liability; she had taken the one year from proponents' testimony.

REP. B. OLSON stated the purpose of the bill was to keep volunteers for another ten years; he was willing to whatever it took to make sure they stayed as those volunteers were essential to smaller communities.
{Tape: 4; Side: B}

Vote: **Motion that SB 197 BE CONCURRED IN carried 13-3 by voice vote with REP. ANDERSEN, REP. HENDRICK, and REP. JONES voting no; REPS. A. OLSON and JACOBSON voted aye by proxy.**

REP. GOLIE had agreed to be the House Sponsor.

EXECUTIVE ACTION ON SB 73

Motion: **REP. BROWN moved that SB 73 BE CONCURRED IN.**

Substitute Motion/Vote: **REP. B. OLSON made a substitute motion that SB 73 BE TABLED. Substitute motion carried 11-5 by roll call vote with REP. CAFERRO, REP. DICKENSON, REP. HENRY, and REP. SMALL-EASTMAN voting no; REP. A. OLSON voted aye by proxy and REP. JACOBSON voted no by proxy.**

(REP. A. OLSON joined the hearing and REP. JACOBSON returned at 11:50 A.M.)

EXECUTIVE ACTION ON SB 478

Motion: **REP. BROWN moved that SB 478 BE CONCURRED IN.**

Discussion:

CHAIRMAN JENT advised that he had reservations about extending rule-making authority to the DPHHS particularly as some of their decisions have been challenged in court.

REP. JONES stated this bill was about the largest agency with the largest budget which took care of the poorest people. Having the rule-making ability gives them a tool to manage their budget; if this was taken away, the Legislature would need to provide a "cushion" so that they could continue to serve their clients. He stated his opposition to the bill.

REP. CAFERRO voiced her support as there were options other than the emergency rules because in some cases, the department did not even notify their providers of impending emergency rules; they found out through the newspapers after the fact. One of the proponents employed 700 people and his clientele consisted of two hundred children which would be the first ones to be impacted.

EXHIBIT 9
DATE 3.31.05
SB 197

DRAFT

WHOSE SLICE OF WHAT PIE?

Understanding the Insurance Premium Tax As a Funding Source for Police and Fire Pension Plans

Prepared by
Sheri S. Heffelfinger, Research Analyst

Updated: March 31, 2005,
for the House State Administration Committee

Office of Research and Policy Analysis
Legislative Services Division
P.O. Box 201706
State Capitol, Room 110
Helena, MT 59620-1706
(406) 444-3064

What is the insurance premium tax?

Section 30-2-705 of the Montana Code Annotated (MCA), imposes an insurance premium tax on all insurers doing business in Montana. Insurers report to the State Auditor the total amount of insurance premiums paid to the insurer and pay a state tax equal to 2.75% of those total premiums. This 2.75% tax is typically referred to as the "insurance premium tax".

In FY 2004, the 2.75% insurance premium tax raised about $57 million.

The insurance premium tax was first enacted in 1864 by the First Legislative Assembly of the Territory of Montana as a flat rate licensing fee on all corporations doing business in Montana. In 1897, new sections of law were enacted specific to insurance companies and the licensing fee for insurance companies was charged based on the premiums collected the company rather than as a flat rate fee.

What is the "fire" insurance premium tax (a.k.a., the fire marshal's tax)?

Under Section 50-3-109, MCA, certain insurers who are authorized to sell insurance against certain enumerated risks pay an additional tax of 2.5% on the ***fire*** portion of the total premiums they collect. This tax is commonly referred to as the fire marshal's tax. Section 50-3-109, MCA, reads as follows:

> **50-3-109. Tax on fire insurance premiums.** (1) Each insurer authorized to effect insurance on risks enumerated in subsection (2) that is doing business in this state shall pay to the state auditor during the month of February or March in each year, in addition to the taxes on premiums required by law to be paid by it, taxes on the fire portion of the direct premiums on the enumerated risks received during the previous calendar year after deducting cancellations and return premiums. A tax of 2 1/2% must be deposited in the general fund as provided in 33-2-708.
>
> (2) The risks referred to in subsection (1) are:
>
> (a) insurance of houses, buildings, and all other kinds of property against loss or damage by fire or other casualty;
>
> (b) all kinds of insurance on goods, merchandise, or other property in the course of transportation, whether by land, water, or air;
>
> (c) insurance against loss or damage to motor vehicles resulting from accident, collision, or marine and inland navigation and transportation perils;
>
> (d) insurance of growing crops against loss or damage resulting from hail or the elements;
>
> (e) insurance against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps, or other apparatus;
>
> (f) insurance against loss or legal liability for loss because of damage to property caused by the use of teams or vehicles, whether by accident or collision or by explosion of any engine, tank, boiler, pipe, or tire of any vehicle; and
>
> (g) insurance against theft of the whole or any part of a vehicle.

For example, if 30% of a premium for homeowners insurance policies sold by a particular insurance company is to insure the home against a fire risk, then the company must pay a 2.5% tax that is assessed only on 30% of the total premiums collected by that company. The 30% is called the *fire portion* of the premium and the total premium paid for an insurance policy that includes fire coverage is commonly referred to as the *fire-related* premium.

(See the attached tax statement form used by insurance companies when reporting their fire-related premiums. See also the attached EXCEL worksheet showing the actual calculations of the taxes due on the 2003 premiums collected. Source: State Auditor's Office)

In FY 2004, *fire-related* premiums totaled about $1.042 billion. The, the 2.75% insurance premium tax on all insurers totaled $57 million, $28.7 million of which was collected from insurers who collected premiums from insurance policies that included insurance against fire risks. The 2.5% tax on the actual *fire portion* of these *fire-related* premiums generated $ 3 million in state revenue.

What was the original purpose of the fire insurance premium tax?

The 2.5% fire insurance premium tax was once two separate taxes: a 1.5% tax and a 1% tax, each assessed for different purposes. However, both of these taxes were assessed only on the fire portion of all fire-related premiums.

Of the 2.5% fire tax, 1.5% was enacted as a source of dedicated revenue that local governments could use to pay firefighter disability and pension benefits through local fire relief associations. However, this 1.5% tax has gone through several metamorphoses resulting in it being tapped as a funding source for local police relief association benefits, for certain supplemental benefits paid to certain retirees under the Firefighters' Unified Retirement System (FURS) and the Municipal Police Officers' Retirement System (MPORS), and for the funding of the Volunteer Firefighters' Compensation Act (VFCA).

One percent of the 2.5% tax was originally enacted for the sole purpose of funding the State Fire Marshal's office.

Which public pension plans are still funded by insurance premium taxes?

Although all insurance premium taxes collected by the State Auditor are now deposited to the state general fund, the statutes still require the Public Employees' Retirement Board to certifies to the State Auditor the amounts of funding required by law to be taken from the general fund and deposited in certain pension trust funds to fund retirement benefits. Thus, the State Auditor still makes payments to the following pension plans, although the payments are made from the general fund:

- the Municipal Police Officers' Retirement System (MPORS), under Section 19-9-702, MCA;
- the Firefighters' Unified Retirement System (FURS), under Section 19-13-604, MCA;
- the Volunteer Fighters' Compensation Act (VFCA), under Section 19-17-301, MCA;
- local fire department relief associations, under Section 19-18-512, MCA;
- local police department trust funds, under Section 19-19-305, MCA; and
- local police pension funds for a supplemental benefit, under 19-19-506, MCA.

STATE OF MONTANA
COMMISSIONER OF INSURANCE
840 HELENA AVENUE
HELENA, MONTANA 59601
(406) 444-2040

2004 ANNUAL PREMIUM TAX STATEMENT FIRE COMPANIES CASUALTY COMPANIES

Insurer Name			NAIC Number
Mailing Address	City	State	Zip Code
State of Domicile	Tax & Fee Contact Person	Contact Person Telephone Number	
Administrative Office Fax Telephone Number	Toll Free Telephone Number for Policyholder Inquiries		

SCHEDULE A - PREMIUM TAX CALCULATION

1.	Total Direct premium income (Ann. Stmt. page 20, line 34, column 1)	$_____ [1]
2.	Finance and service charges (Ann. Stmt. page 20 footnote a)	$_____ [2]
3.	TOTAL PREMIUMS COLLECTED (add lines 1 and 2)	$_____ [3]
4.	Dividends refunded or credited to policyholders (Ann. Stmt. page 20, line 34, column 3)	$_____ [4]
5.	NET PREMIUMS per 33-2-705(1), MCA (line 3 less line 4)	$_____ [5]
6.	PREMIUM TAX per 33-2-705(2), MCA (2.75% of line 5)	$_____ [6]

SCHEDULE B - FIRE INSURANCE PREMIUM TAX CALCULATION

Taxes are due and payable on the fire portion of the net direct premiums on risks resident, situated or located in Montana. Dollar amount and percentages must be used so that the calculation can be traced to the annual statement. References to rating organizations are not acceptable. Amounts in column IV are to be derived by multiplying amounts in column II by percentages in column III.

	I LINE OF BUSINESS	II ANNUAL STMT. PG. 20, COL. 1 DIRECT PREMIUM	III % ALLOCATION OF FIRE RISK	IV DOLLAR AMOUNT OF FIRE PREMIUMS	
7.	Fire		100%		[7]
8.	Allied Lines				[8]
9.	Farmowners Multi Peril				[9]
10.	Homeowners Multi Peril				[10]
11.	Commercial Multi Peril				[11]
12.	Ocean Marine				[12]
13.	Inland Marine				[13]
14.	Other Private Passenger Auto Liability				[14]
15.	Other Commercial Auto Liability				[15]
16.	Private Passenger Auto Physical Damage				[16]
17.	Commercial Auto Physical Damage				[17]
18.	Aircraft				[18]
19.	Burglary & Theft				[19]
20.	Boiler & Machinery				[20]

21.	Total Net Fire Premiums (add lines 7 thru 20, column IV)	$_____ [21]
22.	Tax on Fire Insurance Premiums per 50-3-109(1), MCA **(2.5% of line 21)**	$_____ [22]

2003 PREMIUM TAX CALCULATION (ON SELECTED LINES) (FY2004)

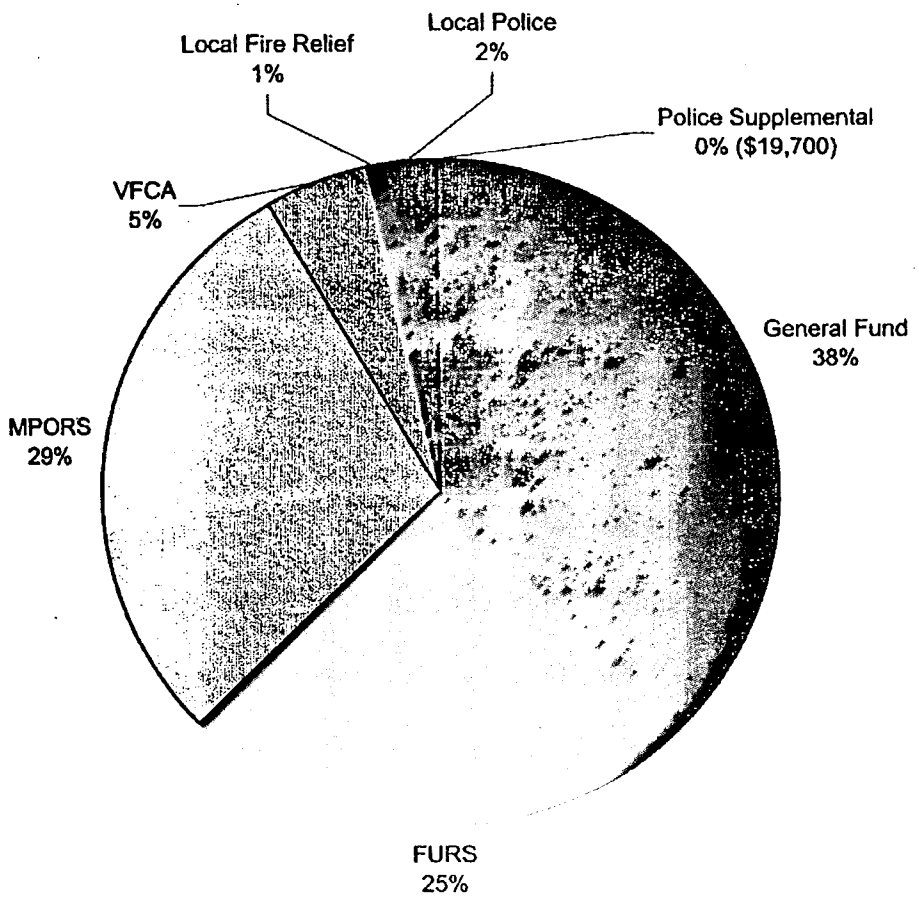
LINES OF BUSINESS	2003 PREMIUMS WRITTEN (PER NAIC)
FIRE	$15,684,904
ALLIED LINES	$28,336,096
MULTIPLE PERIL CROP	$61,674,527
FEDERAL FLOOD	$1,214,184
FARMOWNERS MULTIPLE PERIL	$38,189,173
HOMEOWNERS MULTIPLE PERIL	$145,050,921
COMMERCIAL MULTIPLE PERIL FIRE	$60,603,499
COMMERCIAL MULTIPLE PERIL LIAB	$42,921,269
OCEAN MARINE	$1,158,027
INLAND MARINE	$25,189,660
EARTHQUAKE	$1,882,996
AUTO LIABILITY (19.2 + 19.4)	$338,019,431
AUTO PHYSICAL DAMAGE (21.1 + 21.2)	$257,686,046
AIRCRAFT	$9,577,035
BURGLARY & THEFT	$257,011
BOILER & MACHINERY	$3,686,395
AGGREGATE WRITE-IN	$11,827,571
TOTAL FIRE RELATED PREMIUMS	$1,042,958,745
FIRE RELATED PREMIUMS (Line 23)	$1,042,958,745
MT PREMIUM TAX RATE	2.75%
PREMIUM TAXES DUE	$28,681,365
PREMIUM TAXES DUE	$28,681,365
% PER SECTION 19-17-301, MCA	5%
PAYMENT DUE PER 19-17-301, MCA	$1,434,068

Figure 1: State Contributions
Traditionally Associated with the Fire and Other Insurance Premium Taxes

Retirement System	State Contribution	Dollar Amount Paid in FY 2004	Statutory MCA Section	% of total "slice"
MPORS	29.37% of salaries	$7.2 million	19-9-702	46%
FURS	32.61% of salaries	$6.5 million	19-13-604	42%
VFCA	5% (of the 2.75% tax)	$1.4 million	19-17-301	9%
Local Fire	1.5 mills or $100	$164,000	19-18-512	1%
Local Police	1.5 mills or $100	$266,000	19-19-305	2%
Police Supplemental	minimum benefit adjustment for certain pension recipients	$17,000	19-19-506	0.1%
TOTAL		$15.5 million		100% (rounded)

See the attached pie charts to see whose slice is of what pie.

Pieces of the Pie: FY2002
2.75% Insurance Premium Tax for Enumerated Risks



Appendix A: Statutory Extracts

MPORS Statute

19-9-702. State contribution. The state of Montana shall make its contributions from the general fund. The general fund contributions must be made annually after the end of each fiscal year but no later than November 1. The board shall notify the state auditor by September 1 of each fiscal year of the annual compensation paid to all active members during the preceding fiscal year. The state's contribution is ***29.37% of compensation*** paid to members. The contributions are statutorily appropriated as provided in 17-7-502.

FURS Statute

19-13-604. State contribution. The state shall make its contributions from the general fund. The general fund contributions must be made annually after the end of each fiscal year but no later than November 1. The board shall notify the state auditor by September 1 of each fiscal year of the annual compensation, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid to all active members during the preceding fiscal year. The state's contribution ***is 32.61% of this total compensation.*** The contributions are statutorily appropriated, as provided in 17-7-502. ***[emphasis added]***

VFCA Statute

19-17-301. Fire insurance premium tax to be paid into pension trust fund. The state auditor shall annually pay from the general fund to the pension trust fund ***a sum equivalent to 5% of the premium taxes collected from insurers authorized to effect insurance against risks enumerated in 50-3-109.*** The sum must be computed ***before*** the amounts provided for by 19-13-604, and 19-18-512 are deducted. The money must be used for the payment of claims, benefits, and administrative costs as provided in this chapter. The money is statutorily appropriated as provided in 17-7-502. ***[emphasis added]***

Local Fire Relief Associations Statute

19-18-512. State auditor -- payment to association. (1) After the end of the fiscal year, the state auditor shall issue and deliver the warrant described in this subsection to the treasurer of each city or town that has a fire department relief association entitled by law to receive payments. The warrant must be for the use and benefit of the association. The warrant must be for ***an amount equal to 1 1/2 mills*** of the total taxable value of the city or town and must be paid out of the general fund. The payment is statutorily appropriated as provided in 17-7-502.

(2) The payment provided for in subsection (1) must be for at least $100. ***[emphasis added]***

Local Police Fund Statute

19-19-305. Annual state payments to municipality with police department. (1) After the end of each fiscal year, the state auditor shall issue and deliver to the treasurer of each city and town in Montana that has a police department and that is not a participant in the municipal police officers' retirement system a warrant for an amount computed in the ***same manner as*** the amount paid (or that would be paid if an existing relief association met the legal requirements for payment) to cities and towns for fire department relief associations pursuant to ***19-18-512***. The payment from the general fund is statutorily appropriated as provided in 17-7-502.

(2) Each city or town that has a police retirement fund shall deposit the payment to the credit of its police retirement fund.

(3) Payments provided for in 19-19-205 and subsection (1) of this section are in addition to those provided for in 19-19-301.

Local Police, Supplemental, Statute

19-19-506. Supplement to certain pensions. (1) The payment for each fiscal year to the police officers, spouses, or minor children described in subsections (2)(a) through (2)(c) may not be less than one-half of the salary paid in that fiscal year in the appropriate city or town to newly confirmed police officers.

(2) On or before April 1 of each year, the board of trustees shall make a report to the state auditor including the following information:

(a) the names of all police officers who are receiving payments from the police retirement fund of the city or town as of the date of the report and who were receiving the payments prior to July 1, 1975;

(b) the names of all spouses or minor children who are receiving payments from the police retirement fund because of the death of a police officer who was receiving payments prior to July 1, 1975;

(c) the names of all spouses or minor children who are receiving payments from the police retirement fund and who were receiving payments prior to July 1, 1975, or in the case of minor children, whose parent, the spouse of a police officer, was receiving payments prior to July 1, 1975;

(d) for the purpose of determining the base figure for the computations set forth in subsection (4), the following information relating to the base fiscal year commencing July 1, 1976:

(i) the amount of the payments made in the base fiscal year to each police officer described in subsection (2)(a);

(ii) the amount of the payments made in the base fiscal year to each spouse or minor child described in subsection (2)(b) or (2)(c);

(iii) upon the death after April 18, 1977, of any police officer on the retired list who was receiving payments from the police retirement fund prior to July 1, 1975, and who is survived by a spouse or minor child entitled to receive payments from the police retirement fund, the amount that would have been paid to an eligible spouse of the police officer if that spouse had been receiving payments in the base fiscal year.

(3) Each fiscal year immediately after the adoption by a city or town having a police retirement fund of its budget for that fiscal year, the city or town shall report to the state auditor the salary for that fiscal year of a newly confirmed police officer of that city or town.

(4) The state auditor shall, upon receipt of the reports referred to in subsections (2) and (3), compute the difference between each amount reported under subsections (2)(d)(i) through (2)(d)(iii) and one-half the salary for the current fiscal year of a newly confirmed police officer of the appropriate city or town. The difference must be paid by the state auditor out of the general fund to the treasurer of the appropriate city or town at the same time as and in addition to the payment to be made by the state auditor under 19-19-305(1). The payment is statutorily appropriated as provided in 17-7-502.

(5) The treasurer of each city or town receiving funds under subsection (4) shall immediately deposit them to the credit of the city or town's police retirement fund. The board of trustees of the fund shall use the funds to supplement the monthly payments to persons described in subsections (2)(a) through (2)(c) so that the requirements of subsection (1) are met.

(6) If more than one minor child is entitled to supplementary payments under this section by virtue of the death of a common parent police officer, the minimum payment to the minor children under this section must be determined as if there were one minor child and the supplementary payment must be made to the minor children collectively.

EXHIBIT 10
3.31.05
197

Date: March 14, 2005

To: Rep. Larry Jent, Chair
House State Administration

From: John W. Northey
Birdseye Volunteer Fire Department
Helena, Montana

Re: S.B. 197

This is in followup to the hearing on S.B. 197, and your request for a summarization of the issues and numbers addressed during the hearing. Current state law provides that a volunteer firefighter who draws a retirement benefit can no longer serve as a member of a volunteer department. SB 197 would remove the prohibition and allow a retired volunteer to continue to serve on a department with no increased benefit. The whole purpose is to retain trained firefighters which is becoming harder to do.

An issue at the hearing was the potential cost of the bill. The original fiscal note estimated the annual cost at $97,000. A revised fiscal note after the bill was amended placed the annual cost at $19,000. It is my understanding that these numbers were furnished by PERD through their actuary. I have no specific knowledge of these numbers, but have no reason to doubt their accuracy.

The issue is whether the bill would create a potential unfunded liability for the system. Current state law, section 19-2-405, MCA, requires that funding for a retirement system must be such that the actuarial liability will be amortized over a period not to exceed 30 years. The actuarial valuation at June 30, 2002, stated the unfunded liability for the Volunteer Firefighters was 21 years. The actuarial valuation at June 30, 2004, stated the unfunded liability had decreased to 20 years. By letter dated November 18, 2004, the actuary concluded "... the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years." (Copy attached).

This retirement system is funded from two sources. The first is 5% of the fire insurance premium taxes collected in the state, and the second is investment income. The financial history for the last four years shows that the revenue to the system is increasing. Investment income is by nature unpredictable, but I believe over the long term will always be positive. The history of the premium tax revenue shows an average annual increase of 10%+ over the last four years. With inflationary increases in premiums and additional insurance for new construction it is reasonable to assume the tax revenues will continue to increase.

The following data is from the audited financial statements of the retirement system.

	5% Tax	% Increase	Investment Income	Total Revenue
2004	$1.43	9.5	2.27	$3.70
2003	1.31	15.5	1.26	2.57
2002	1.13	13.1	-.59	.54
2001	1.00		-.26	.74

(Data in millions)

The net assets held in the Volunteer Firefighters' Trust Fund at June 30, 2004, were just over 20 million dollars. Membership in the system has remained fairly constant with no significant changes expected, which indicates a relatively stable system.

I submit that even if the highest fiscal note cost is incurred, anticipated increased revenue to the system will more than cover such a cost. The unfunded liability is under 20 years and has been decreasing over the last three years. I do not believe the enactment of SB 197 will in any way cause the unfunded liability of the Volunteer Firefighter's retirement system to exceed the statutory 30 year limit.

A MILLIMAN GLOBAL FIRM

Milliman
Consultants and Actuaries

111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3690
Tel +1 503 227.0634
Fax +1 503 227.7956
www.milliman.com

November 18, 2004

Public Employees' Retirement Board
State of Montana

Dear Members of the Board:

Actuarial valuations are normally performed every two years, as of July 1st of each even-numbered year. The previous valuations were performed as of July 1, 2002. We have now completed actuarial valuations as of July 1, 2004 for the following retirement systems:

- Public Employees' Retirement System
- Municipal Police Officers' Retirement System
- Game Wardens' and Peace Officers' Retirement System
- Sheriffs' Retirement System
- Judges' Retirement System
- Highway Patrol Officers' Retirement System
- Firefighters' Unified Retirement System
- Volunteer Firefighters' Compensation Act

The member, employer, and state contributions are set forth in statute. Our findings indicate the projected income stream from the expected contributions will be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability as a level percentage of future payroll, for the following systems. The amortization periods are shown below.

- Municipal Police Officers' Retirement System	24.4 years
- Highway Patrol Officers' Retirement System	19.1 years
- Firefighters' Unified Retirement System	18.7 years

Based on the assumed level of future revenue, the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years. The Judges' Retirement System had an Actuarial Surplus as of July 1, 2004.

Our findings indicate the projected income stream from the expected contributions will not be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability for the following systems. The additional contributions necessary as of July 1, 2004 to amortize the Unfunded Actuarial Liabilities over 30 years are shown below.

- Public Employees' Retirement System	1.19% of payroll
- Game Wardens' and Peace Officers' Retirement System	0.23% of payroll
- Sheriffs' Retirement System	2.15% of payroll

The general decline in the funded status for each system over the previous two years is primarily due to the fact that recent investment returns have been less than the long-term actuarial assumption of 8% per year.

In preparing the 2004 valuations, we relied upon the financial and membership data furnished by the Public Employees' Retirement Administration. Although we did not audit this

HOUSE OF REPRESENTATIVES
Roll Call
STATE ADMINISTRATION COMMITTEE

DATE 3-31-05

NAME	PRESENT	ABSENT	EXCUSED
REP. LARRY JENT, CHAIR	✓		
REP. VERONICA SMALL-EASTMAN, VICE CHAIR	✓		
REP. DEE BROWN, VICE CHAIR	✓		
REP. JOAN ANDERSEN	✓ 8:05		
REP. MARY CAFERRO	✓		
REP. SUE DICKENSON	✓		
REP. EMELIE EATON	✓		
REP. ROBIN HAMILTON	✓		
REP. GORDON HENDRICK	✓ 8:05		
REP. TERESA HENRY	✓		
REP. HAL JACOBSON	–		
REP. WILLIAM JONES	✓		
REP. GARY MacLAREN	✓ 8:05		
REP. BRUCE MALCOLM	✓		
REP. ALAN OLSON	✓ 8:20		
REP. BERNIE OLSON	✓		

HOUSE STANDING COMMITTEE REPORT

March 31, 2005

Mr. Speaker:

We, your committee on **State Administration** recommend that **Senate Bill 197** (third reading copy -- blue) **be concurred in.**

Signed: Larry Jent
Representative Larry Jent, Chair

To be carried by Representative George Golie

- END -

Committee Vote:
Yes 13, No 3.

681244SC.hkh
3/31/05

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN ROSALIE (ROSIE) BUZZAS**, on April 8, 2005 at 8:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Rosalie (Rosie) Buzzas, Chairman (D)
Rep. Carol C. Juneau, Vice Chairman (D)
Rep. Tim Callahan (D)
Rep. Eve Franklin (D)
Rep. Ray Hawk (R)
Rep. Cynthia Hiner (D)
Rep. Joey Jayne (D)
Rep. Christine Kaufmann (D)
Rep. Ralph L. Lenhart (D)
Rep. Walter McNutt (R)
Rep. Penny Morgan (R)
Rep. John L. Musgrove (D)
Rep. Rick Ripley (R)
Rep. Janna Taylor (R)
Rep. Jack Wells (R)

Members Excused: Rep. Jon C. Sesso (D)
Rep. John Sinrud (R)

Members Absent: Rep. John E. Witt, Vice Chairman (R)
Rep. Bill E. Glaser (R)
Rep. Verdell Jackson (R)

Staff Present: Marcy McLean, Committee Secretary
Jon Moe, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted:	SB 180, 4/5/2005; SB 197, 4/5/2005; SB 489, 4/5/2005
Executive Action:	SB 180; SB 93; SB 197; SB 108; SB 120; SB 35; SB 58; SB 30; SB 274; SB 489; SB 498; SB 247

HEARING ON SB 197

Opening Statement by Sponsor:

SEN. KELLY GEBHARDT, SD 23, Roundup, opened the hearing on **SB 197,** a bill to revise pension benefits for volunteer firefighters. He said he would limit his comments to the fiscal impact. The current Fiscal Note shows an expense of $19,000, which he said could be off by $3,000. The Volunteer Firefighters Retirement is funded by 5% of the money in a pool that has been funded by a 2/3% tax on fire insurance premiums. In 2002 the tax raised $22.6 million and in 2004 raised $28.6 million. This results in $1.3 million per year allocated to the Volunteer Firefighters Retirement, with $1.2 million paid out in benefits. Therefore, he said he thought there was adequate money to fund an increase in benefits to these firefighters. The intent of the increase is to attract and retain more volunteer firefighters.
EXHIBIT(aph75a01)
EXHIBIT(aph75a02)
EXHIBIT(aph75a03)
EXHIBIT(aph75a04)

Proponents:

John Semple, Montana Fire Alliance, said his group represents all of the volunteer fire service organizations. He said their concern is keeping volunteer firefighters beyond seven years of service. Making the retirement benefit more attractive would help them in these efforts.
{Tape: 1; Side: A; Approx. Time Counter: 0 - 7.4}

John Northey, volunteer fireman, said that current state law provides that a volunteer firefighter who draws a retirement benefit can no longer serve as a member of a volunteer department. SB 197 would remove the prohibition and allow a retired volunteer to continue to serve on a department with no increased benefit. The purpose is to retain trained firefighters. He said the Volunteer Firefighters retirement is financially sound and he anticipated that increased revenue to the system will more than cover this additional benefit.
EXHIBIT(aph75a05)

{Tape: 1; Side: A; Approx. Time Counter: 7.4 - 9.3; Comments: Rep. Witt entered hearing}

Mary Sexton, former Teton County Commissioner, said counties have a problem retaining volunteer firefighters.

Opponents:

Melanie Symons, Montana Public Employees Retirement, said HB 346 has addressed the issue of retired firefighters being allowed to continue as volunteers. She said they disagree with the section of SB 197 that permits firefighters to start earning more retirement prior to age 55. Over the past three years the revenue, which comes from the tax on fire insurance premiums, has been substantially less than the benefits paid. The $19,000 cost stated in the Fiscal Note is the amount of the increased benefits for next year only; it does not consider other ongoing costs. The original Fiscal Note that said the costs would be $97,000 is more accurate to keep the fund fiscally sound. If SB 197 passes and the fund is not able to pay the additional benefit, then they will be back before the legislature with a request to lower the benefits to all firefighters.
{Tape: 1; Side: A; Approx. Time Counter: 9.3 - 14.5; Comments: Rep. Glaser entered hearing}

Questions from Committee Members and Responses:

CHAIRMAN BUZZAS asked about the long-term fiscal impact of the potential $1.1 million unfunded liability to the State. **Melanie Symons** answered that the $96,000 in the original Fiscal Note addressed the unfunded liability. The $96,000 expense next year may not sound like much; however, it will be a continuing expense. Their concern is that the contributions from the insurance premium will not be enough to cover this increased benefit, nor can they depend upon the investment performance.

REP. RIPLEY asked about the $1.1 million in unfunded liability. **John Northey** said state law requires that all retirement systems be actuarially sound, which means having an unfunded liability that does not exceed 30 years. The unfunded liability in the Volunteer Firefighters Retirement has been decreasing over the past three years and is now at less than 20 years. The unfunded liability will fluctuate due to investment performance and/or changes in claims. He said his opinion is that the increasing revenue from the insurance premiums is more than adequate to cover this increased benefit.
{Tape: 1; Side: A; Approx. Time Counter: 14.5 - 19.6; Comments: Rep. Jackson entered hearing}

Closing by Sponsor:

SEN. GEBHARDT said the recent increase in payouts was due to the benefit being changed from a variable to a fixed amount. He SB 197 is a good for the volunteer firefighters and for the State.

{Tape: 1; Side: A; Approx. Time Counter: 19.6 - 24}

HEARING ON SB 489

Opening Statement by Sponsor:

SEN. GREG LIND, SD 50, Missoula, opened the hearing on **SB 489,** a bill to use the Orphan Share Fund for evaluation and remediation alternatives. SB 489 is the offspring of SB 143, which dealt with using Orphan Share money to clean up contaminated sites. There is a site in Kalispell, which has multiple owners, that is contaminated with petroleum products, products from pole and post processing, dioxin, and toxic chemicals. The State is a partial owner, due to a tax foreclosure back in the 1930s. Other owners include Burlington Northern, Yale Oil and Swank Enterprises. A plume of water in the area is moving toward the Stillwater River and there is concern of contamination. This bill proposes using $1.5 million of Orphan Share money to complete a study of the entire site and possibly start remediation. The bill is a fragile compromise of all of the parties involved.
{Tape: 1; Side: A; Approx. Time Counter: 24 - 28.1}

Proponents' Testimony:

Mary Sexton, Department of Natural Resources and Conversation (DNRC), explained that the State-owned land is the former Reliance Refinery property and is administered by DNRC. They have been aware of the contaminates for the past 15 years, and have previously conducted work just on this specific piece of the land. However, the contaminates are spreading towards the Stillwater River and the study is needed to look at the entire site. The DNRC is working with the multiple owners to find a solution to getting this evaluation done so remediation needs can be determined. If the evaluation is not done, then DNRC will be sued by the Department of Environmental Quality (DEQ). **Ms. Sexton** said she is working closely with DEQ Director Richard Opper to find a solution. This is an important public health issue and it is overdue to get something done.
EXHIBIT**(aph75a06)**

Richard Opper, DEQ, said he has spent more time on this piece of legislation than any other, which indicates the seriousness of

EXECUTIVE ACTION ON SB 197

Motion: **REP. SINRUD moved that SB 197 DO PASS.**

Discussion:

REP. SINRUD said he does not agree with the Auditor's Fiscal Note.
EXHIBIT(**aph75a13**)

REP. GLASER said he is a volunteer firefighter and these people work for free. He said there would be no fiscal impact to this bill.

REP. MUSGROVE said he was concerned about the long-term impact to the retirement fund if they increase these benefits.

REP. SINRUD said the firefighter receives a pension after 20 years of service, but would lose that pension if he were to go back to firefighting. He said he does not think there would be a problem to the fund if they would continue these benefits.

CHAIRMAN BUZZAS said that she, too, was concerned about the long-term impact to the fund. She reminded the Committee that all other retirement requests have failed.

Vote: **Motion carried 13-7 by roll call vote with REP. BUZZAS, REP. CALLAHAN, REP. FRANKLIN, REP. JAYNE, REP. JUNEAU, REP. KAUFMANN, and REP. MUSGROVE voting no. REP. JUNEAU voted by proxy. REP. GOLIE will carry bill in House.**

EXECUTIVE ACTION ON SB 108

Motion: **REP. MORGAN moved that SB 108 DO PASS.**

Discussion:

REP. MORGAN explained this is the bill to certify sub-contractors.

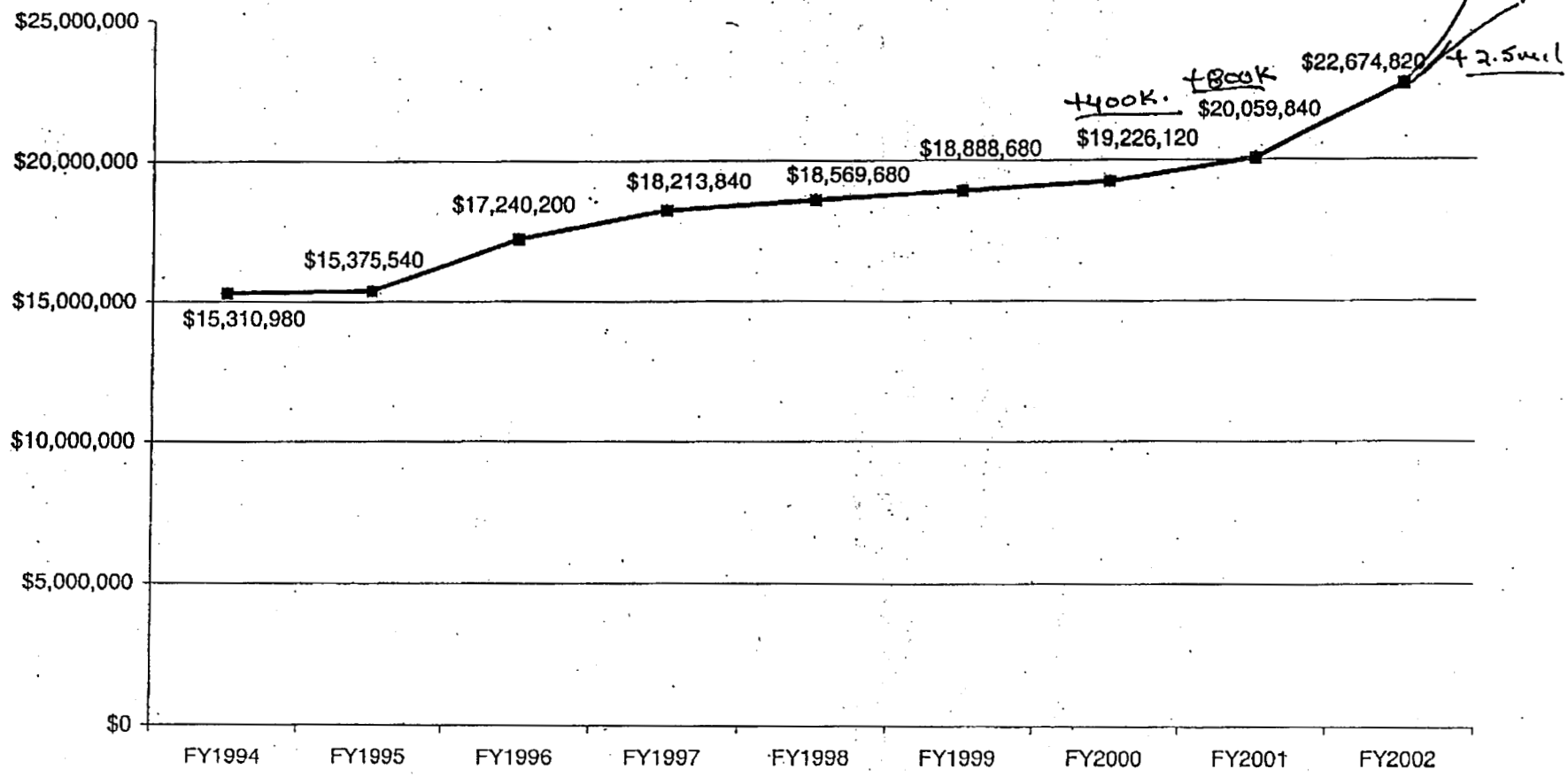
REP. SESSO pointed out that the bill includes six new FTEs, and this is a good example of government having to add to staff to do the job.

REP. GLASER reminded the Committee that independent contractors supported this bill.

EXHIBIT 1
DATE 4-8-05
SB 197

2.75% Insurance Premium Tax Collected on Fire Portion of Premiums
Source: State Auditor's Office, Rounded Estimates

Chart by Sheri S. Heffelfinger, LSD
March 13, 2003



Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums on policies sold in Montana. In addition, for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay $0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA).

Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of $1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities.

Distribution: The majority of insurance tax and license fee proceeds are deposited into the general fund.

Summary of Legislative Action:

Senate Bill 373 – Before conducting insurance business in the state, a captive insurance company must obtain a license from the Secretary of State and pay a $200 fee and reasonable costs for legal, financial, and examination services. Each captive insurance company must pay insurance premium taxes based on direct premiums collected at the following rates:

1. 0.4 percent on the first $20 million
2. 0.3 percent on the next $20 million
3. 0.2 percent on the next $20 million
4. 0.075 percent on each subsequent amount collected

Each captive insurance company must pay insurance premium taxes based on assumed reinsurance premiums at the following rates:

1. 0.225 percent on the first $20 million
2. 0.15 percent on the next $20 million
3. 0.05 percent on each subsequent amount collected

The minimum aggregate tax owed for both taxes is $5,000. The Secretary of State estimates that two new captive insurance companies will be licensed each fiscal year and that examination fees for each company will be $10,000 for additional state special revenue of $20,000 each fiscal year. Increased insurance premium tax revenue deposited to the general fund is expected to be $10,000 in fiscal 2002 and $20,000 in fiscal 2003.

Insurance Tax & License Fees – Legislation Passed by 57th Legislature
Estimated General Fund Impact for the 2003 Biennium

Bill Number and Short Title	Fiscal 2001	Fiscal 2002	Fiscal 2003
SB0373 Licensing and regulation of captive insurers		10,000	20,000
Total Estimated General Fund Impact	$0	$10,000	$20,000

Statute: Title 33, Chapter 2 and Chapter 14, MCA

% of Total FY 2000 General Fund Revenue: 3.38%

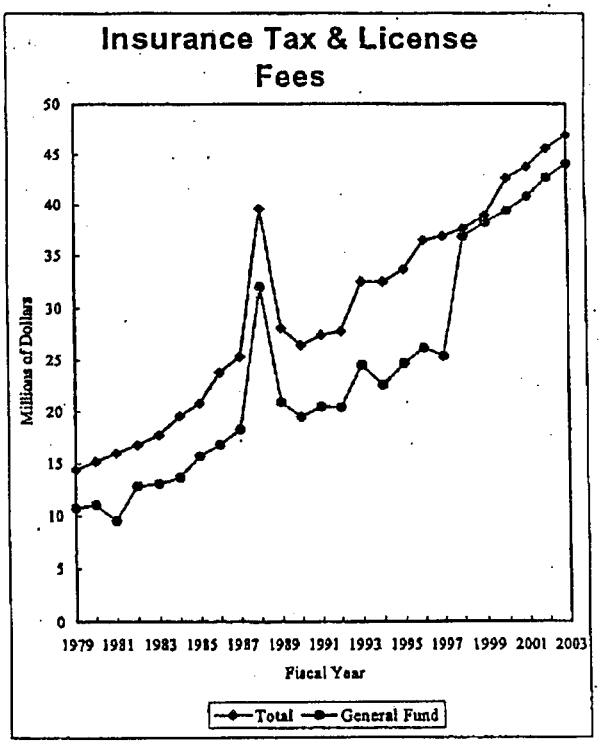
Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	14.367308	10.748226	
A	1980	15.177033	11.031794	2.64%
A	1981	15.967069	9.551061	-13.42%
A	1982	16.754178	12.790003	33.91%
A	1983	17.725218	13.011479	1.73%
A	1984	19.517173	13.621332	4.69%
A	1985	20.797571	15.691565	15.20%
A	1986	23.759335	16.780399	6.94%
A	1987	25.299537	18.245085	8.73%
A	1988	39.564932	32.047077	75.65%
A	1989	28.085448	20.882814	-34.84%
A	1990	26.430389	19.446368	-6.88%
A	1991	27.400168	20.438058	5.10%
A	1992	27.767615	20.387391	-0.25%
A	1993	32.536113	24.463587	19.99%
A	1994	32.506094	22.510848	-7.98%
A	1995	33.662134	24.600092	9.28%
A	1996	36.388114	26.132824	6.23%
A	1997	36.813468	25.341540	-3.03%
A	1998	37.561196	36.813041	45.27%
A	1999	38.848530	38.137472	3.60%
A	2000	42.617531	39.333537	3.14%
F	2001	43.744000	40.810000	3.75%
F	2002	45.595000	42.666000	4.55%
F	2003	46.899000	44.050000	3.24%



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

	t Fiscal	Total Tax Millions	GF Tax Millions	Non-GF Fees Millions	GF Fees Millions	Unexplained Millions
Actual	2000	42.617531	39.333537	3.283994	1.028229	1.605734
Forecast	2001	43.744000	40.810000	2.934490	0.000000	0.000000
Forecast	2002	45.565000	42.656000	2.908990	0.000000	0.000000
Forecast	2003	46.859000	44.030000	2.828990	0.000000	0.000000

	t Fiscal	Genetics Millions	Premium Tax Millions	Offsets Millions	Refunds Millions
Actual	2000	0.542398	40.121480	2.082935	1.881369
Forecast	2001	0.550000	41.397945	0.908000	0.230000
Forecast	2002	0.555000	42.715021	0.384000	0.230000
Forecast	2003	0.560000	44.073999	0.374000	0.230000

EXHIBIT 2
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SB 197

Findings and Recommendations

Three Retirement Systems Actuarially Unsound

Based on the July 1, 2004, actuarial valuations, the Public Employees' Retirement System – Defined Benefit Retirement Plan (PERS – DBRP), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS) are not actuarially sound, contrary to the Montana Constitution and state law.

Article VIII, Section 15, of the Montana Constitution requires public retirement systems be funded on an actuarially sound basis. State law defines a defined benefit retirement system as actuarially sound when its contributions are sufficient to pay the full actuarial cost of the plan over a period of up to 30 years.

The PERB obtains an actuarial valuation of each of its eight defined benefit retirement plans biennially. The most recent actuarial valuation was as of July 1, 2004. The PERB actuary determined the employer contribution rate would have to be increased as follows, starting July 1, 2005, to maintain an amortization of the UAAL over the 30-year period starting July 1, 2004:

PERS – DBRP	1.19%; from 6.9% to 8.09%;
SRS	2.15%; from 9.535% to 11.685%; and
GWPORS	.23%; from 9.00% to 9.23%.

The UAAL for each system has grown at an increasing rate, as shown in Table 1.

Table 1

Unfunded Actuarial Accrued Liability*

Valuation Date	PERS-DBRP	SRS	GWPORS
7/1/2000[a]	($569,940,000)	($38,502,000)	($9,044,000)
7/1/2000[b]	(251,540,000)	(26,002,000)	(5,544,000)
7/1/2002[b]	983,000	(16,965,000)	379,000
7/1/2004[b]	466,798,000	7,586,000	5,100,000

* The negative amounts indicate the systems did not have an unfunded actuarial accrued liability.

[a] Does not include the effects of legislation passed in the 2001 Legislative session.

[b] Includes the effects of legislation passed in the 2001 Legislative session.

Source: Compiled by the Legislative Audit Division from actuarial reports.

In the July 1, 2004, valuation, the PERB actuary determined the UAAL for these three systems does not amortize without an increase in contributions. In the July 1, 2002, valuation, the PERB actuary determined the amortization period was .1 year for PERS-DBRP and approximately 30 years for each SRS and GWPORS. The actuary attributed the growth in the unfunded liability of the systems primarily to actuarial investment returns below the actuarial investment return assumption of eight percent for all three systems.

The PERB Funding and Benefits Policy states, "Whenever, through the use of long-term cash flow projections, the amortization period of a system's unfunded liabilities is projected to exceed 30 years for two consecutive valuations and the Board cannot reasonably anticipate that the amortization period would decline without an increase in funding sources, it is the obligation of PERB to recommend to the legislature that funding be increased."

Because the July 1, 2004, actuarial valuation projected an amortization period of the unfunded liabilities that exceeds 30 years for the PERS-DBRP, SRS, and GWPORS, the PERB should seek legislation for funding changes, as required by board policy. PERB plans to submit legislation to the 2005 legislature changing contribution rates to make the retirement systems actuarially sound.

Recommendation #1

We recommend the PERB seek legislation for funding changes to ensure the PERS-DBRP, SRS, and GWPORS are funded on an actuarially sound basis, as required by PERB policy and the Montana Constitution.

Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP)

The PERS-DCRP became effective on July 1, 2002. PERB has had to interpret and implement over 20 new statutes to ensure the PERS-DCRP was operated in accordance with state law. The following report sections identify areas where PERB can enhance compliance with state law concerning the implementation and operation of the PERS-DCRP.

Diversion of Pension Trust Fund Assets Through An Inter-Entity Loan

The PERB diverted funds from the PERS-DBRP Trust by borrowing funds from the PERS-DBRP Education Fund.

Article VIII, Section 15, of the Montana Constitution states, "Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses."

On August 15, 2003, an installment on the PERS-DCRP startup INTERCAP loan came due. The PERS-DCRP Administrative Fund did not have enough cash flow at that time to make the payment, so the fund obtained an inter-entity loan of $114,000 from the PERS-DBRP Education Fund to make the INTERCAP loan payment. The

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of latest actuarial valuation follows:

	PERS-DBRP[1]	MPORS	GWPORS[1]
Valuation date	June 30, 2002	June 30, 2002	June 30, 2002
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years: Unfunded liability	30	30	30
Unfunded Credit [2]			
	4 year smoothed	4 year smoothed	4 year smoothed
Actuarial assumptions:			
Investment rate of return compounded annually	8%	8%	8%
Projected salary increases			
Merit	0% - 6%	0% - 7.3%	0% - 7.3%
Benefit Adjustments			
Non-GABA	N/A	50% newly confirmed officer	N/A

[1] The ongoing funding of the PERS-DBRP, GWPORS and SRS is being watched closely. The anticipated unfunded liability of the PERS-DBRP will likely be amortized in 30 years; the GWPORS and SRS are funded at the rates necessary to pay benefits but appear insufficient to pay off unfunded liability.

[2] Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs.

SRS[1]	JRS	HPORS	FURS	VFCA
June 30, 2002	June 30, 2002	June 30, 2002	June 30, 2002	June 30, 2002
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of revenue, open
30	30			21
4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market
8%	8%	8%	8%	8%
50%	50%	50%	50%	N/A
0% - 7.3%	None	0% - 7.3%	0% - 7.3%	N/A
N/A	Annual increase to salary of active member in like position	2% per yr service for newly confirmed officer	50% newly confirmed officer	N/A

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of latest actuarial valuation follows:

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2004	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded liability	does not amortize [1]		
Unfunded Credit [2]		30	
Asset valuation method	4 Year smoothed market	4 Year smoothed market	4 Year smoothed market
Actuarial assumptions:			
Investment rate of return compounded annually	8%	8%	8%
Projected salary increases			
General Wage Growth	4.25%	4.25%	4.25%
Merit	0% - 6%	None	0% - 7.3%
Benefit Adjustments			
GABA	3% after 1yr	3% after 1yr	3% after 1yr
Non-GABA	N/A	Annual increase to salary of active member in like position	2% per yr service for newly confirmed officer

[1] The unfunded actuarial liability will not amortize over the next 30 years. Based on actuarial assumptions as of June 30, 2004, additional funding is required at a rate of 1.19% for PERS, 2.15% for SRS and 0.23% for GWPORS. The PERB will be requesting to increase the employer contribution rates during the next Legislative Session.

[2] Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs.

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2004	June 30, 2004	June 30, 2004	June 30, 2004	June 30, 2004
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of revenue, open
does not amortize	does not amortize	20	20	20
4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
8%	8%	8%	8%	8%
25%	25%	25%	25%	N/A
0% - 7.3%	0% - 7.3%	0% - 7.3%	0% - 7.3%	N/A
5% after 1st yr	5% after 1st yr	5% after 1st yr	5% after 1st yr	N/A
N/A	N/A	50% newly confirmed officer	50% newly confirmed officer	N/A

going down

EXHIBIT 3
DATE 4-8-05
SB 197

A MILLIMAN GLOBAL FIRM

Milliman
Consultants and Actuaries

111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3690
Tel +1 503 227.0634
Fax +1 503 227.7956
www.milliman.com

November 18, 2004

Public Employees' Retirement Board
State of Montana

Dear Members of the Board:

Actuarial valuations are normally performed every two years, as of July 1st of each even-numbered year. The previous valuations were performed as of July 1, 2002. We have now completed actuarial valuations as of July 1, 2004 for the following retirement systems:

- Public Employees' Retirement System
- Municipal Police Officers' Retirement System
- Game Wardens' and Peace Officers' Retirement System
- Sheriffs' Retirement System
- Judges' Retirement System
- Highway Patrol Officers' Retirement System
- Firefighters' Unified Retirement System
- Volunteer Firefighters' Compensation Act

The member, employer, and state contributions are set forth in statute. Our findings indicate the projected income stream from the expected contributions will be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability as a level percentage of future payroll, for the following systems. The amortization periods are shown below.

- Municipal Police Officers' Retirement System	24.4 years
- Highway Patrol Officers' Retirement System	19.1 years
- Firefighters' Unified Retirement System	18.7 years

Based on the assumed level of future revenue, the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years. The Judges' Retirement System had an Actuarial Surplus as of July 1, 2004.

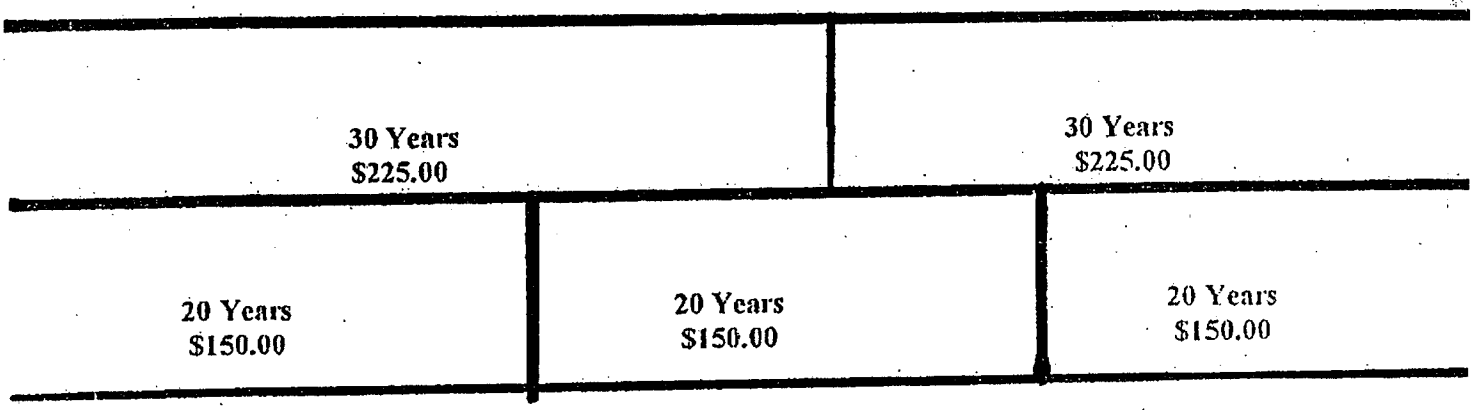
Our findings indicate the projected income stream from the expected contributions will not be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability for the following systems. The additional contributions necessary as of July 1, 2004 to amortize the Unfunded Actuarial Liabilities over 30 years are shown below.

- Public Employees' Retirement System	1.19% of payroll
- Game Wardens' and Peace Officers' Retirement System	0.23% of payroll
- Sheriffs' Retirement System	2.15% of payroll

The general decline in the funded status for each system over the previous two years is primarily due to the fact that recent investment returns have been less than the long-term actuarial assumption of 8% per year.

In preparing the 2004 valuations, we relied upon the financial and membership data furnished by the Public Employees' Retirement Administration. Although we did not audit this

EXHIBIT 4
DATE 4-8-05
SB 197



If you look at the retirement of firefighters for a 60 year period of time, 3 retired firefighters with 20 years service each total $450, which is equal to 2 firefighters with 30 years each totaling $450.00.

EXHIBIT 13
DATE 4-8-05
SB 197

FISCAL NOTE

Bill #: SB197 **Title:** Revise pension benefits for volunteer firefighters

Primary Sponsor: Kelly Gebhardt **Status:** As Introduced-Revised

Sponsor signature Date David Ewer, Budget Director 1/22/05 Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Other	$97,233	$97,233
Revenue:		
Other	$0	$0
Net Impact on General Fund Balance:	$0	$0

☐ Significant Local Gov. Impact	☐ Technical Concerns
☐ Included in the Executive Budget	☒ Significant Long-Term Impacts
☐ Dedicated Revenue Form Attached	☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. The actuary has assumed this is the only benefit provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. This fiscal note uses all the actuarial assumptions adopted by the Public Employees' Retirement Board for future experience of the Volunteer Firefighters Compensation Act (VFCA).
3. The actuary has not made any adjustment for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2004.

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Benefits (VFCA)	$97,233	$97,233
Funding of Expenditures:		
Other (Pension Trust Fund)	$97,233	$97,233

SB 197 #2

2005 Montana Legislature

About Bill -- Links

SENATE BILL NO. 197
INTRODUCED BY GEBHARDT

AN ACT REVISING PENSION BENEFITS FOR VOLUNTEER FIREFIGHTERS UNDER THE VOLUNTEER FIREFIGHTERS' COMPENSATION ACT; ALLOWING CERTAIN MEMBERS TO RETURN TO VOLUNTEER SERVICE WITHOUT LOSS OF BENEFITS; CLARIFYING THE CALCULATION OF BENEFITS AFTER 20 YEARS OF SERVICE; AMENDING SECTIONS 19-17-401 AND 19-17-404, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-17-401, MCA, is amended to read:

"19-17-401. Eligibility for pension and disability benefits. (1) To qualify for a full pension, partial pension, or disability benefit under this chapter, a member shall meet the requirements of subsections (2) or (3) and (4).

(2) (a) For a full pension benefit, a member must have completed 20 years of service and must have attained 55 years of age, but need not be an active member of a fire company when 55 years of age is reached.

(b) A member who is prevented from completing at least 20 years of service may qualify for a partial pension benefit if the member has completed at least 10 years of service and has attained 60 years of age, but need not be an active member of any fire company when 60 years of age is reached.

(3) An active member of a fire company whose duty-related injury results in permanent total disability, as defined in 39-71-116 and determined pursuant to 19-17-410, is eligible, regardless of age or service, to receive a disability benefit.

(4) Except as provided in subsection (5):

(a) to receive a pension or disability benefit, a volunteer firefighter may not be an active member of any fire

company; and

(b) a volunteer firefighter who receives a pension or disability benefit under this chapter may not become an active member of any fire company.

(5) (a) In the event of a declared national, state, or local emergency affecting Montana, a retired volunteer firefighter who is not receiving a disability benefit under this chapter may return to active service with a fire company for the duration of the declared emergency without becoming an active member under the Volunteer Firefighters' Compensation Act and the volunteer firefighters' pension plan and without loss of previously earned benefits. Only the fire chief of the fire company may determine who may return to active service. The fire chief shall prescribe the duties of any retired volunteer firefighter returning to active service.

(b) A member who is receiving a full pension benefit, as provided in 19-17-404, may return to service with a volunteer fire department without loss of benefits. A member returning to service under this section may not be considered an active member earning service credit."

Section 2. Section 19-17-404, MCA, is amended to read:

"**19-17-404. Amount of pension and disability benefits.** (1) Each eligible member must receive a pension or disability benefit as provided in this section.

(2) (a) Except as provided in subsection (2)(c), the full pension benefit paid to eligible members is $150 a month.

(b) A partial pension benefit is calculated by multiplying the full pension benefit in subsection (2)(a) by a fraction, the numerator of which is the eligible member's years of service and the denominator of which is 20.

(c) The full pension benefit of a member ~~who has completed 20 years of service and is at least 55 years of age and~~ who ~~continues~~ continued to be an active member after completing 20 years of service must be increased by $7.50 a month for each additional year of active service the member completed after 20 years of service, up to 30 total years of service.

(3) The disability benefit paid to an eligible member is calculated in the same manner as partial pension benefits described in subsection (2)(b), except that the numerator may not be less than 10.

(4) If any fraudulent change or any inadvertent mistake in records results in any member, surviving spouse, or dependent child receiving more or less than entitled to, then on the discovery of the error, the board shall correct the error and adjust the payments to the member, surviving spouse, or dependent child in an equitable manner."

Section 3. Effective date. [This act] is effective on passage and approval.

- END -

Latest Version of SB 197 *(SB0197.ENR)*

Processed for the Web on April 16, 2005 (10:10am)

New language in a bill appears underlined, deleted material appears stricken.

Sponsor names are handwritten on introduced bills, hence do not appear on the bill until it is reprinted.

See the status of this bill for the bill's primary sponsor.

Status of this Bill | 2005 Legislature | Leg. Branch Home

This bill in WP 5.1 | All versions of all bills (WP 5.1 format)

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(406) 444-3064